



**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 District), as of and for the year ended June 30, 2005, which collectively comprise the 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, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the 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 to the financial statements, the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* for the fiscal year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

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.

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

Betty Montgomery
Auditor of State

February 23, 2006

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The management's discussion and analysis of the Bridgeport Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$983,382 which represents a 6.19% increase from 2004.
- General revenues accounted for \$7,050,616 in revenue or 79.66% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,799,990 or 20.34% of total revenues of \$8,850,606.
- The District had \$7,867,224 in expenses related to governmental activities; \$1,799,990 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 \$7,050,616 were adequate to provide for these programs.
- The District's major governmental funds are the General Fund, Building Fund and Classroom Facilities Fund. The General Fund had \$5,793,394 in revenues and \$5,939,542 in expenditures and other financing uses. During fiscal year 2005, the General Fund's fund balance decreased \$146,148 from \$176,629 to \$30,481.
- The Building Fund had \$1,698,456 in revenues and other financing sources and \$1,565,295 in expenditures. During fiscal year 2005, the Building Fund's fund balance increased \$133,161 to \$133,161.
- The Classroom Facilities Fund had \$8,241,032 in revenues and other financing sources and \$877,298 in expenditures. During fiscal year 2005, the Classroom Facilities Fund's fund balance increased \$7,363,734 to \$7,363,734.

Using these Basic Financial Statements

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 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 District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund, Building Fund and Classroom Facilities 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, 2005
UNAUDITED

Reporting the 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 District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" 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 District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 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 District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's Internal Service Fund accounts for dental self-insurance. The basic 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, 2005
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The 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 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 District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic 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 basic financial statements can be found on pages 25-56 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Assets</u>		
Current and other assets	\$ 22,632,316	\$ 18,110,237
Capital assets	<u>2,439,826</u>	<u>616,610</u>
Total assets	<u>25,072,142</u>	<u>18,726,847</u>
<u>Liabilities</u>		
Current liabilities	2,539,580	2,277,571
Long-term liabilities	<u>5,654,459</u>	<u>554,555</u>
Total liabilities	<u>8,194,039</u>	<u>2,832,126</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,634,655	584,153
Restricted	15,577,002	15,264,771
Unrestricted (deficit)	<u>(333,554)</u>	<u>45,797</u>
Total net assets	<u>\$ 16,878,103</u>	<u>\$ 15,894,721</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$16,878,103. Of this total, \$15,577,002 is restricted in use.

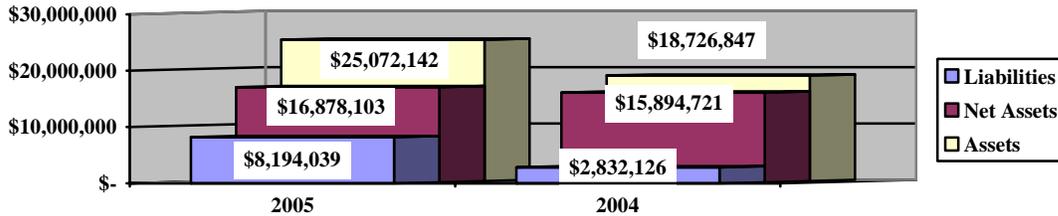
**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

At year-end, capital assets represented 9.73% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, library books and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$1,634,655. These capital assets are used to provide services to the students and are not available for future spending. Although the 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 District's net assets, \$15,577,002, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$333,554.

Governmental Activities



The table below shows the change in net assets for fiscal year 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 403,821	\$ 348,412
Operating grants and contributions	1,396,169	1,268,144
Capital grants and contributions	-	14,575
General revenues:		
Property taxes	1,764,560	1,656,561
Grants and entitlements	4,064,869	3,689,761
Grants restricted for Ohio Schools		
Facilities Construction	1,018,041	14,968,216
Investment earnings	128,815	9,734
Miscellaneous	74,331	31,495
Total revenues	<u>8,850,606</u>	<u>21,986,898</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Change in Net Assets

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,582,481	\$ 3,183,530
Special	1,039,704	969,289
Vocational	69,661	172,700
Other	51,630	51,775
Support services:		
Pupil	223,395	241,937
Instructional staff	263,947	255,772
Board of education	35,254	21,161
Administration	528,438	510,370
Fiscal	260,702	250,570
Business	6,951	6,089
Operations and maintenance	857,528	613,927
Pupil transportation	274,994	252,793
Central	6,082	12,430
Food service operations	300,917	275,172
Operations of other non-instructional services	10,226	62,241
Extracurricular activities	127,138	103,695
Intergovernmental pass-through	80,775	61,887
Interest and fiscal charges	<u>147,401</u>	<u>3,806</u>
Total expenses	<u>7,867,224</u>	<u>7,049,144</u>
Change in net assets	983,382	14,937,754
Net assets at beginning of year	<u>15,894,721</u>	<u>956,967</u>
Net assets at end of year	<u>\$ 16,878,103</u>	<u>\$ 15,894,721</u>

Governmental Activities

Net assets of the District's governmental activities increased \$983,382. Total governmental expenses of \$7,867,224 were offset by program revenues of \$1,799,990 and general revenues of \$7,050,616. Program revenues supported 22.88% 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 77.37% of total governmental revenue.

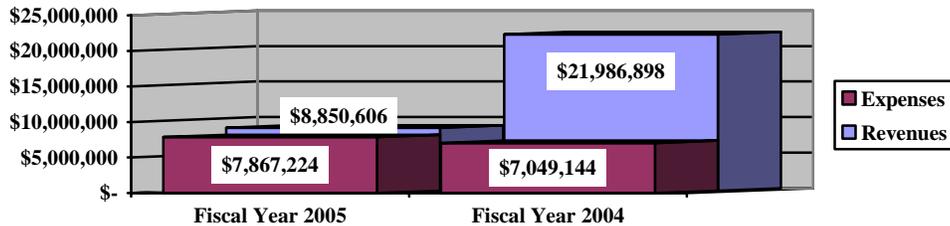
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,743,476 or 60.29% of total governmental expenses for fiscal 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 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.

Governmental Activities

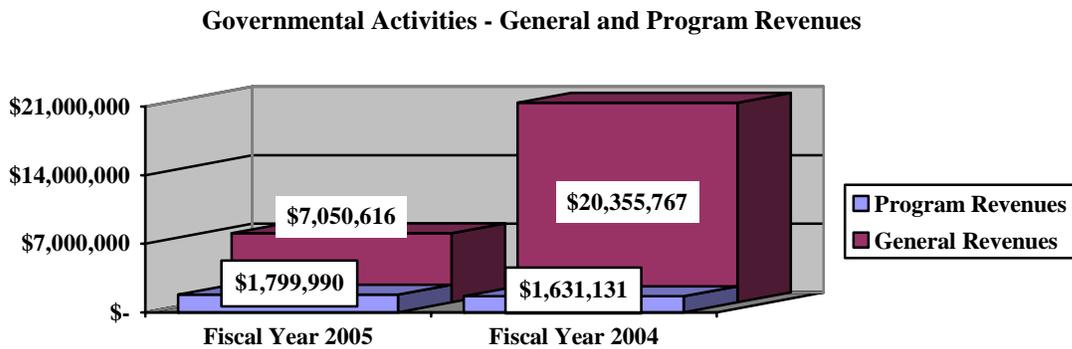
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses				
Instruction:				
Regular	\$ 3,582,481	\$ 2,982,249	\$ 3,183,530	\$ 2,594,117
Special	1,039,704	525,092	969,289	514,886
Vocational	69,661	64,095	172,700	171,820
Other	51,630	51,630	51,775	51,775
Support services:				
Pupil	223,395	223,376	241,937	236,751
Instructional staff	263,947	147,577	255,772	147,345
Board of education	35,254	35,254	21,161	21,161
Administration	528,438	520,146	510,370	504,380
Fiscal	260,702	258,028	250,570	248,040
Business	6,951	4,187	6,089	3,036
Operations and maintenance	857,528	765,617	613,927	597,063
Pupil transportation	274,994	256,795	252,793	247,369
Central	6,082	3,846	12,430	5,307
Food service operations	300,917	15,821	275,172	(12,824)
Operations of other non-instructional services	10,226	(33,909)	62,241	(34,837)
Extracurricular activities	127,138	88,850	103,695	56,931
Intergovernmental pass-through	80,775	11,179	61,887	61,887
Interest and fiscal charges	147,401	147,401	3,806	3,806
Total expenses	\$ 7,867,224	\$ 6,067,234	\$ 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, 2005
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 76.38% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.12%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$7,721,416, which is higher than last year's total of \$419,974. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	Increase (Decrease)	Percentage Change
General	\$ 30,481	\$ 176,629	\$ (146,148)	(82.74) %
Building	133,161	-	133,161	100.00 %
Classroom Facilities	7,363,734	-	7,363,734	100.00 %
Other Governmental	<u>194,040</u>	<u>243,345</u>	<u>(49,305)</u>	(20.26) %
Total	<u>\$ 7,721,416</u>	<u>\$ 419,974</u>	<u>\$ 7,301,442</u>	1,738.55 %

General Fund

The District's General Fund balance decreased \$146,148 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to increased expenditures still exceeding increased revenues. Expenditures exceed revenues for fiscal year 2005 by \$138,894. 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, 2005
UNAUDITED

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase (Decrease) <u>(Decrease)</u>	Percentage Change <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,480,751	\$ 1,522,584	\$ (41,833)	(2.75) %
Tuition	251,821	200,036	51,785	25.89 %
Earnings on investments	9,572	8,813	759	8.61 %
Intergovernmental	4,024,620	3,674,743	349,877	9.52 %
Other revenues	<u>26,630</u>	<u>31,758</u>	<u>(5,128)</u>	(16.15) %
Total	<u>\$ 5,793,394</u>	<u>\$ 5,437,934</u>	<u>\$ 355,460</u>	6.54 %
<u>Expenditures</u>				
Instruction	\$ 3,830,785	\$ 3,623,819	\$ 206,966	5.71 %
Support services	1,993,703	1,997,129	(3,426)	(0.17) %
Extracurricular activities	71,488	69,605	1,883	2.71 %
Facilities acquisition and construction	17,136	8,604	8,532	99.16 %
Debt service	<u>19,176</u>	<u>19,945</u>	<u>(769)</u>	(3.86) %
Total	<u>\$ 5,932,288</u>	<u>\$ 5,719,102</u>	<u>\$ 213,186</u>	3.73 %

Building Fund

The Building Fund had \$1,698,456 in revenues and other financing sources and \$1,565,295 in expenditures. During fiscal year 2005, the Building Fund's fund balance increased \$133,161 to \$133,161.

Classroom Facilities Fund

The Classroom Facilities Fund had \$8,241,032 in revenues and other financing sources and \$877,298 in expenditures. During fiscal year 2005, the Classroom Facilities Fund's fund balance increased \$7,363,734 to \$7,363,734.

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues and other financing sources were \$5,360,965. Final budgeted revenues and other financing sources were \$5,945,215. Actual revenues and other financing sources for fiscal 2005 was \$5,927,646. This represents a \$17,569 decrease from final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$5,920,721 were increased to \$6,361,209 in the final appropriations. The actual budget basis expenditures for fiscal year 2005 totaled \$6,195,583, which was \$165,626 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, 2005
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$2,439,826 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, library books and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 823,169	\$ 43,169
Land improvements	14,544	18,848
Building and improvements	83,948	94,412
Furniture and equipment	344,637	318,433
Vehicles	108,058	141,748
Construction in progress	1,065,470	-
Total	\$ 2,439,826	\$ 616,610

The overall increase in capital assets of \$1,823,216 is due to capital outlays of \$1,936,304 exceeding depreciation expense of \$113,088 in the fiscal year.

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

Debt Administration

At June 30, 2005, the District had \$14,663 in capital lease obligations, \$10,508 in lease-purchase agreements and \$4,907,000 in general obligation bonds outstanding. Of this total, \$115,760 is due within one year and \$4,816,411 is due within greater than one year. The following table summarizes the capital lease obligations and bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
	Capital lease obligations	\$ 14,663
Lease-purchase agreement	10,508	-
General obligation bonds	4,907,000	-
Total	\$ 4,932,171	\$ 32,457

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Current Financial Related Activities

The vision of the 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 instructional needed to provide an honorable education for the students of our district.

The District is embarking on very exciting times. In June of 2003, the District approved a resolution to participate in the Ohio School Facilities Commission Classroom Facilities Assistance Program. The District was approved to build a new Pre K-12 building with a budget of \$19,983,257, with the state contributing \$15,986,257 eighty percent of the cost and the 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 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 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 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 District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact 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, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,832,776
Investments.	3,531,690
Cash with fiscal agent.	98,705
Receivables:	
Taxes	2,017,328
Intergovernmental	11,995,583
Accrued interest	902
Prepayments	24,216
Materials and supplies inventory	19,404
Unamortized bond issue costs	111,712
Capital assets:	
Land	823,169
Construction in progress	1,065,470
Depreciable capital assets, net	551,187
Capital assets, net.	2,439,826
 Total assets.	 25,072,142
 Liabilities:	
Accounts payable.	56,327
Accrued wages and benefits	673,189
Pension obligation payable.	150,466
Intergovernmental payable	24,618
Deferred revenue	1,612,842
Accrued interest payable	18,241
Claims payable	3,897
Long-term liabilities:	
Due within one year.	168,394
Due within more than one year	5,486,065
Total liabilities	8,194,039
 Net Assets:	
Invested in capital assets, net of related debt.	1,634,655
Restricted for:	
Capital projects	15,265,058
Debt service.	177,319
Classroom facilities maintenance	17,293
Locally funded programs	5
State funded programs.	10,084
Federally funded programs	57,356
Student activities.	7,652
Other purposes	42,235
Unrestricted (deficit)	(333,554)
 Total net assets	 \$ 16,878,103

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, 2005

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 3,582,481	\$ 251,821	\$ 348,411	\$ (2,982,249)
Special	1,039,704	-	514,612	(525,092)
Vocational	69,661	-	5,566	(64,095)
Other	51,630	-	-	(51,630)
Support services:				
Pupil.	223,395	-	19	(223,376)
Instructional staff	263,947	-	116,370	(147,577)
Board of education	35,254	-	-	(35,254)
Administration.	528,438	-	8,292	(520,146)
Fiscal.	260,702	-	2,674	(258,028)
Business.	6,951	-	2,764	(4,187)
Operations and maintenance	857,528	-	91,911	(765,617)
Pupil transportation.	274,994	11,462	6,737	(256,795)
Central	6,082	-	2,236	(3,846)
Operation of non-instructional services:				
Food service operations	300,917	102,250	182,846	(15,821)
Other non-instructional services	10,226	-	44,135	33,909
Extracurricular activities.	127,138	38,288	-	(88,850)
Intergovernmental pass-through.	80,775	-	69,596	(11,179)
Interest and fiscal charges	147,401	-	-	(147,401)
Total governmental activities	<u>\$ 7,867,224</u>	<u>\$ 403,821</u>	<u>\$ 1,396,169</u>	<u>(6,067,234)</u>

General Revenues:

Property taxes levied for:	
General purposes	1,428,262
Special revenue	17,293
Debt service.	251,556
Capital projects	67,449
Grants and entitlements not restricted to specific programs.	4,064,869
Grants restricted for Ohio Schools	
Facilities Construction	1,018,041
Investment earnings	128,815
Miscellaneous	74,331
Total general revenues.	<u>7,050,616</u>
Change in net assets	983,382
Net assets at beginning of year.	<u>15,894,721</u>
Net assets at end of year	<u>\$ 16,878,103</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 480,424	\$ 133,131	\$ 3,855,095	\$ 321,891	\$ 4,790,541
Investments	-	-	3,531,690	-	3,531,690
Receivables:					
Taxes.	1,602,730	-	-	414,598	2,017,328
Intergovernmental	-	-	11,811,842	183,741	11,995,583
Accrued interest	-	30	862	10	902
Interfund receivable	88,298	-	-	-	88,298
Prepayments	24,216	-	-	-	24,216
Materials and supplies inventory	8,462	-	-	10,942	19,404
Restricted assets:					
Equity in pooled cash and cash equivalents	42,235	-	-	-	42,235
Total assets	<u>\$ 2,246,365</u>	<u>\$ 133,161</u>	<u>\$ 19,199,489</u>	<u>\$ 931,182</u>	<u>\$ 22,510,197</u>
Liabilities:					
Accounts payable	\$ 27,056	\$ -	\$ 23,913	\$ 5,358	\$ 56,327
Accrued wages and benefits	535,889	-	-	137,300	673,189
Compensated absences payable	26,283	-	-	11,824	38,107
Pension obligation payable.	100,489	-	-	49,977	150,466
Intergovernmental payable.	20,324	-	-	4,294	24,618
Interfund payable.	-	-	-	88,298	88,298
Deferred revenue.	1,505,843	-	11,811,842	440,091	13,757,776
Total liabilities	<u>2,215,884</u>	<u>-</u>	<u>11,835,755</u>	<u>737,142</u>	<u>14,788,781</u>
Fund Balances:					
Reserved for encumbrances	77,785	-	1,686,934	73,791	1,838,510
Reserved for materials and supplies inventory.	8,462	-	-	10,942	19,404
Reserved for prepayments	24,216	-	-	-	24,216
Reserved for property tax unavailable for appropriation	96,887	-	-	29,771	126,658
Reserved for debt service.	-	-	-	117,234	117,234
Reserved for BWC refunds.	26,895	-	-	-	26,895
Reserved for school bus purchases	15,340	-	-	-	15,340
Unreserved, undesignated (deficit), reported in:					
General fund	(219,104)	-	-	-	(219,104)
Special revenue funds.	-	-	-	(84,648)	(84,648)
Capital projects funds.	-	133,161	5,676,800	46,950	5,856,911
Total fund balances	<u>30,481</u>	<u>133,161</u>	<u>7,363,734</u>	<u>194,040</u>	<u>7,721,416</u>
Total liabilities and fund balances	<u>\$ 2,246,365</u>	<u>\$ 133,161</u>	<u>\$ 19,199,489</u>	<u>\$ 931,182</u>	<u>\$ 22,510,197</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, 2005

Total governmental fund balances		\$	7,721,416
<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.			2,439,826
Federal donated commodities are not reported in the funds.			
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	277,828	
Intergovernmental revenue		<u>11,867,106</u>	
Total			12,144,934
Unamortized premiums on bond issuance is not recognized in the funds.			(161,658)
Unamortized bond issuance costs are not recognized in the funds.			111,712
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(18,241)
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.			94,808
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(522,523)	
Bonds payable		(4,907,000)	
Lease-purchase agreement		(10,508)	
Capital lease obligation		<u>(14,663)</u>	
Total			<u>(5,454,694)</u>
Net assets of governmental activities		<u>\$</u>	<u>16,878,103</u>

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, 2005

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 1,480,751	\$ -	\$ -	\$ 277,622	\$ 1,758,373
Tuition.	251,821	-	-	5,766	257,587
Transportation fees	11,462	-	-	-	11,462
Charges for services.	-	-	-	102,250	102,250
Earnings on investments.	9,572	3,343	68,917	555	82,387
Extracurricular.	-	-	-	38,288	38,288
Other local revenues.	15,168	-	700	58,463	74,331
Intergovernmental - State.	3,963,416	-	4,174,415	475,456	8,613,287
Intergovernmental - Federal	61,204	-	-	968,471	1,029,675
Total revenue	<u>5,793,394</u>	<u>3,343</u>	<u>4,244,032</u>	<u>1,926,871</u>	<u>11,967,640</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,147,764	-	-	412,166	3,559,930
Special.	553,350	-	-	487,767	1,041,117
Vocational.	84,041	-	-	1,594	85,635
Other.	45,630	-	-	6,000	51,630
Support services:					
Pupil.	222,984	-	-	54	223,038
Instructional staff	140,001	-	-	124,894	264,895
Board of education	35,248	-	-	-	35,248
Administration.	513,653	-	-	7,814	521,467
Fiscal	244,038	182	5,319	11,574	261,113
Business	-	-	-	6,951	6,951
Operations and maintenance.	603,901	-	-	109,834	713,735
Pupil transportation	233,421	-	-	6,233	239,654
Central.	457	-	-	5,625	6,082
Food service operations	-	-	-	305,587	305,587
Other non-instructional services.	-	-	-	23,741	23,741
Extracurricular activities.	71,488	-	-	43,783	115,271
Facilities acquisition and construction	17,136	780,000	871,979	327,185	1,996,300
Intergovernmental pass through	-	-	-	80,775	80,775
Debt service:					
Principal retirement	17,794	780,000	-	6,075	803,869
Interest and fiscal charges	1,382	5,113	-	122,822	129,317
Bond issuance costs	-	-	-	112,063	112,063
Total expenditures	<u>5,932,288</u>	<u>1,565,295</u>	<u>877,298</u>	<u>2,202,537</u>	<u>10,577,418</u>
Excess of revenues over (under) expenditures.	<u>(138,894)</u>	<u>(1,561,952)</u>	<u>3,366,734</u>	<u>(275,666)</u>	<u>1,390,222</u>
Other financing sources (uses):					
Transfers in	-	-	-	7,254	7,254
Transfers (out).	(7,254)	-	-	-	(7,254)
Lease-purchase agreement.	-	-	-	16,583	16,583
Sale of notes.	-	780,000	-	-	780,000
Sale of bonds	-	910,000	3,997,000	-	4,907,000
Accrued interest on sale of notes.	-	-	-	45,471	45,471
Premium on sale of bonds	-	5,113	-	157,053	162,166
Total other financing sources (uses)	<u>(7,254)</u>	<u>1,695,113</u>	<u>3,997,000</u>	<u>226,361</u>	<u>5,911,220</u>
Net change in fund balances	(146,148)	133,161	7,363,734	(49,305)	7,301,442
Fund balances at					
beginning of year (restated)	176,629	-	-	243,345	419,974
Fund balances at end of year.	<u>\$ 30,481</u>	<u>\$ 133,161</u>	<u>\$ 7,363,734</u>	<u>\$ 194,040</u>	<u>\$ 7,721,416</u>

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, 2005

Net change in fund balances - total governmental funds	\$	7,301,442
 <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 capital outlays exceed depreciation expense in the in the current period.		
Capital asset additions	\$ 1,936,304	
Current year depreciation	(113,088)	
Total		1,823,216
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	421	
Intergovernmental revenue	(3,163,883)	
Total		(3,163,462)
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	(18,241)	
Bond premium	(161,658)	
Bond issuance costs	111,712	
Total		(68,187)
 Notes, bonds and lease-purchase agreements are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(5,703,583)
 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.		
		803,869
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(425)
 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.		
		(9,488)
Change in net assets of governmental activities	\$	983,382

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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes	\$ 1,360,352	\$ 1,512,000	\$ 1,479,093	\$ (32,907)
Tuition.	229,424	255,000	251,821	(3,179)
Transportation fees.	10,347	11,500	11,462	(38)
Earnings on investments.	7,198	8,000	8,742	742
Other local revenues	22,493	25,000	15,600	(9,400)
Intergovernmental - State	3,550,006	3,945,750	3,963,416	17,666
Intergovernmental - Federal.	61,180	68,000	61,269	(6,731)
Total revenue	<u>5,241,000</u>	<u>5,825,250</u>	<u>5,791,403</u>	<u>(33,847)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,882,189	3,141,989	3,111,529	30,460
Special.	470,530	609,980	589,118	20,862
Vocational.	150,107	100,107	96,329	3,778
Other.	60,000	43,500	45,630	(2,130)
Support services:				
Pupil.	280,699	235,699	227,175	8,524
Instructional staff	160,324	150,324	142,769	7,555
Board of education	25,534	31,534	31,143	391
Administration.	533,519	533,519	521,694	11,825
Fiscal	248,224	261,224	259,376	1,848
Operations and maintenance.	646,273	671,273	647,122	24,151
Pupil transportation	290,195	240,195	229,779	10,416
Central.	20,000	1,000	457	543
Extracurricular activities.	86,345	87,345	72,326	15,019
Facilities acquisition and construction.	40,782	40,782	8,398	32,384
Total expenditures	<u>5,894,721</u>	<u>6,148,471</u>	<u>5,982,845</u>	<u>165,626</u>
Excess of revenues over (under) expenditures.	<u>(653,721)</u>	<u>(323,221)</u>	<u>(191,442)</u>	<u>131,779</u>
Other financing sources (uses):				
Transfers in.	100,000	100,000	100,000	-
Transfers (out)	(6,000)	(107,254)	(107,254)	-
Advances in.	19,965	19,965	36,243	16,278
Advances (out)	(20,000)	(105,484)	(105,484)	-
Total other financing sources (uses)	<u>93,965</u>	<u>(92,773)</u>	<u>(76,495)</u>	<u>16,278</u>
Net change in fund balance	(559,756)	(415,994)	(267,937)	148,057
Fund balance at beginning of year.	608,607	608,607	608,607	-
Prior year encumbrances appropriated	87,721	87,721	87,721	-
Fund balance at end of year	<u>\$ 136,572</u>	<u>\$ 280,334</u>	<u>\$ 428,391</u>	<u>\$ 148,057</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, 2005

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 98,705
	98,705
Total assets	98,705
Liabilities:	
Current liabilities:	
Claims payable	3,897
	3,897
Total liabilities	3,897
Net assets:	
Unrestricted.	94,808
Total net assets	\$ 94,808

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, 2005

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 329,581
Other	3,833
Total operating revenues.	333,414
 Operating expenses:	
Personal services	1,430
Purchased services	13,568
Claims	328,861
Total operating expenses.	343,859
 Operating loss	(10,445)
 Nonoperating revenues:	
Interest revenue	957
 Total nonoperating revenues.	957
 Change in net assets	(9,488)
 Net assets at beginning of year	104,296
Net assets at end of year.	\$ 94,808

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, 2005

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 329,581
Cash received from other operations	3,833
Cash payments for personal services	(1,430)
Cash payments for purchased services	(13,568)
Cash payments for claims	(327,941)
	(9,525)
 Net cash used in operating activities	 (9,525)
 Cash flows from investing activities:	
Interest received	957
	957
 Net cash provided by investing activities	 957
 Net decrease in cash and cash equivalents	 (8,568)
 Cash and cash equivalents at beginning of year . . .	 107,273
Cash and cash equivalents at end of year	\$ 98,705
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (10,445)
 Changes in assets and liabilities:	
Increase in claims payable	920
	920
 Net cash used in operating activities	 \$ (9,525)

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, 2005

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 207,915	\$ 33,375
Total assets.	207,915	\$ 33,375
Liabilities:		
Accounts payable.	-	\$ 99
Due to students	-	33,276
Total liabilities	-	\$ 33,375
Net Assets:		
Held in trust for scholarships	207,915	
Total net assets	\$ 207,915	

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, 2005

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	\$ 5,941
Gifts and contributions.	11,081
	<hr/>
Total additions.	17,022
	<hr/>
Deductions:	
Scholarships awarded	11,374
	<hr/>
Change in net assets	5,648
Net assets at beginning of year	202,267
	<hr/>
Net assets at end of year	\$ 207,915
	<hr/> <hr/>

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, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District currently ranks as the 553rd largest in terms of total enrollment among the 614 public school districts in the State of Ohio. The District is staffed by 37 non-certificated employees and 67 certificated full-time teaching personnel who provide services to 753 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the 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 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 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" and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". 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 District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

JOINTLY GOVERNED ORGANIZATIONS

Belmont Harrison Career Center (Career Center)

The Career Center 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 Career Center's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Career Center. Each participating school district's control is limited to its representation on the Career Center'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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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 District and the 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.

Coalition of Rural and Appalachian Schools (CORAS)

The Coalition of Rural and Appalachian Schools (the "Coalition") is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Coalition. The District's membership fee was \$300 for fiscal year 2005.

PUBLIC ENTITY RISK POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

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

The Executive Director of the OASBO, 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 14 for further information on this group rating plan.

Ohio School Plan

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

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

B. Fund Accounting

The 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 District's major governmental funds:

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund 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.

Classroom Facilities Fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the 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 District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the 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 District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The 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 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 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 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 meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund 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 financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

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 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 District's internal service fund is charges for services. Operating expenses for internal service funds include the cost of 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 financial statements. Government-wide 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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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.

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 Fund, Debt Service Fund 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.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

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 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 District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2005.

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 Fund, Debt Service Fund and Permanent Improvement Capital Projects Funds which are enacted at the fund and 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.

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 for the General Fund, Debt Service Fund and the Permanent Improvement Capital Projects Fund, 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 2005.

The budget figures which appear in the statement of budgetary comparisons represent the original and final appropriation amounts that were approved by the Board prior to June 30, 2005. 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.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

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 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 District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2005, investments were limited to negotiable certificates of deposit, State Treasury Asset Reserve of Ohio (STAROhio), repurchase agreements, money market accounts 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. Negotiable certificates of deposit are reported at cost.

The District has invested funds in STAROhio during fiscal 2005. 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, 2005.

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 District's internal investment pool. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$9,572, which includes \$3,217 assigned from other District funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

G. Inventory

On government-wide and fund 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 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 District maintains a capitalization threshold of \$2,000. 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 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:

<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 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.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the 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, 2005, 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, 2005, 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 financial statements.

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, debt service, 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 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts reserved for BWC refunds and school bus purchase. See Note 19 for details.

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 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 211,181	\$ 259,960	\$ 471,141
GASB Technical Bulletin No. 2004-2	(34,552)	(16,615)	(51,167)
Restated Fund Balances, June 30, 2004	\$ 176,629	\$ 243,345	\$ 419,974

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 30,253
Auxiliary Service	610
Teacher Development	5
EMIS	520
DPIA	29,716
SchoolNet Professional Development	5
Title VI-B	2,192
Title VI	1,782
Drug Free School	1,246
Reducing Class Size	1,234

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.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash With Fiscal Agent

The 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, 2005, was \$98,705.

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$177,410. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$164,744 of the District's bank balance of \$273,502 was exposed to custodial risk as discussed below, while \$108,758 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2005, the District had the following investments and maturities, which are all part of the internal investment pool, except for \$3,531,690 of StarOhio, which is held for the Building Project:

Investment type	Balance at Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	Greater Than 24 months
FHLB-Bond	\$ 324,594	\$ -	\$ 324,594	\$ -	\$ -
FHLB-Notes	544,806	443,976	-	-	100,830
FNMA-Notes	1,089,270	347,130	742,140	-	-
FHLMC-Notes	2,150,640	879,248	1,271,392	-	-
Repurchase Agreement	175,000	175,000	-	-	-
STAROhio	3,850,036	3,850,036	-	-	-
Negotiable Certificates of Deposit	294,000	98,000	196,000	-	-
	<u>\$ 8,428,346</u>	<u>\$ 5,793,390</u>	<u>\$ 2,534,126</u>	<u>\$ -</u>	<u>\$ 100,830</u>

The weighted average maturity of investments is .34 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments, except for the repurchase agreement as discussed above and STAROhio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAROhio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. Of the District's investment in negotiable Certificates of Deposit, FHLB-Bond, FHLB-Notes, FNMA-Notes, and FHLMC-Notes, the entire balance is 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.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each issuer used by the District at June 30, 2005:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB-Bond	\$ 324,594	3.85%
FHLB-Notes	544,806	6.46%
FNMA-Notes	1,089,270	12.92%
FHLMC-Notes	2,150,640	25.52%
Repurchase Agreement	175,000	2.08%
STAROhio	3,850,036	45.69%
Grange Bank-Negotiable CD	98,000	1.16%
Sky Bank-Negotiable CD	99,000	1.17%
Unizan Bank-Negotiable CD	97,000	1.15%
	\$8,428,346	100.00%

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2005 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 funds	\$ 88,298

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 financial statements; therefore, no internal balances at June 30, 2005 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, 2005
CONTINUED

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 7,254

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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 District prior to June 30.

The District receives property taxes from Belmont County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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.

The amount available as an advance at June 30, 2005 was \$96,887 in the General Fund, \$24,005 in the Debt Service Fund and \$5,766 in the Permanent Improvement Fund. This amount has been recorded as revenue. 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.

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 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 58,726,750	84.90	\$ 58,850,250	85.82
Public utility personal	5,103,210	7.38	5,188,930	7.57
Tangible personal property	<u>5,342,250</u>	<u>7.72</u>	<u>4,533,420</u>	<u>6.61</u>
Total	<u>\$ 69,172,210</u>	<u>100.00</u>	<u>\$ 68,572,600</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 39.40		 \$ 45.07	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accrued interest 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	\$ 2,017,328
Intergovernmental	11,995,583
Accrued interest	<u>902</u>
Total	<u>\$ 14,013,813</u>

Receivables have been disaggregated on the face of the 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, 2005
CONTINUED

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 43,169	\$ 780,000	\$ -	\$ 823,169
Construction in progress	<u>-</u>	<u>1,065,470</u>	<u>-</u>	<u>1,065,470</u>
Total capital assets, not being depreciated	<u>43,169</u>	<u>1,845,470</u>	<u>-</u>	<u>1,888,639</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	232,586	-	-	232,586
Buildings and improvements	1,811,759	9,930	-	1,821,689
Furniture and equipment	698,401	80,904	-	779,305
Vehicles	617,768	-	-	617,768
Library books	<u>113,510</u>	<u>-</u>	<u>-</u>	<u>113,510</u>
Total capital assets, being depreciated	<u>3,474,024</u>	<u>90,834</u>	<u>-</u>	<u>3,564,858</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(213,738)	(4,304)	-	(218,042)
Buildings and improvements	(1,717,347)	(20,394)	-	(1,737,741)
Furniture and equipment	(379,968)	(54,700)	-	(434,668)
Vehicles	(476,020)	(33,690)	-	(509,710)
Library books	<u>(113,510)</u>	<u>-</u>	<u>-</u>	<u>(113,510)</u>
Total accumulated depreciation	<u>(2,900,583)</u>	<u>(113,088)</u>	<u>-</u>	<u>(3,013,671)</u>
Governmental activities capital assets, net	<u>\$ 616,610</u>	<u>\$ 1,823,216</u>	<u>\$ -</u>	<u>\$ 2,439,826</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 62,124
Special	1,795
Vocational	142
<u>Support Services:</u>	
Pupil	590
Instructional staff	2,271
Administration	3,390
Fiscal	71
Operations and maintenance	1,613
Pupil transportation	33,690
Operation of other non-instructional services	1,479
Food service operations	2,501
Extracurricular Activities	<u>3,422</u>
Total depreciation expense	<u>\$ 113,088</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the 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 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 financial statements. Principal payments in fiscal year 2005 totaled \$17,794 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, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 9,172
2007	5,423
2008	<u>652</u>
Total minimum lease payments	15,247
Less amount representing interest	<u>(584)</u>
Total	<u>\$ 14,663</u>

NOTE 10 - LEASE-PURCHASE AGREEMENT

During fiscal 2005, the District entered into lease-purchase agreement (the "agreement") for computer equipment on behalf of St. Joseph's Central School (the "School"). This lease agreement meets 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 financial statements for the governmental funds.

The computer equipment is capitalized on the District's capital asset records, is the property of the District, and is in the possession of the School. The District entered into the agreement on behalf of the School and is making payments from the intergovernmental pass-through expense line of the Auxiliary Fund, a nonmajor governmental fund. A liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$6,075.

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, 2005:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 10 - LEASE-PURCHASE AGREEMENT (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 6,074
2007	<u>6,074</u>
Total minimum lease payments	12,148
Less amount representing interest	<u>(1,640)</u>
Total	<u>\$ 10,508</u>

NOTE 11 - LONG-TERM OBLIGATIONS

- A. On November 9, 2004, the District issued general obligation bonds to provide funds for constructing and improving school facilities (hereinafter called "Construction Project"). These bonds are general obligations of the District for which full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations are accounted for on the Statement of Net Assets. Payments of principal and interest relating to this bond are recorded as an expenditure of the Debt Service Fund (nonmajor governmental fund). The source of payment is derived from a current 5.67 mill bonded tax levy for the Construction Project.

A portion of the bonds, \$3,997,000 represent the amount of the Construction Project that the District itself was required to finance (approximately 81% of the total of the bonds), in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2005, the total estimated cost of the Construction Project is \$19,983,257, of which OSFC will pay \$15,986,257.

The remaining portion of the bond issue (approximately 19% of the total of the bonds), \$910,000, will be used to finance additional improvements (\$100,000) and to acquire a site for classroom facilities (\$810,000), that will not be covered under the contract with OSFC.

The bonds were issued for a twenty-seven year period with a final maturity at December 31, 2031. Interest payments will begin on June 1, 2005 and principal payments will begin on December 1, 2005. Interest payments on the bonds are due on June 1 and December 1 of each year and principal payments are due on December 1 of each year.

The 2005 bond issue is comprised of serial and term bonds. The term bonds that mature December 1, 2019 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>to be Redeemed</u>
2015	\$140,000
2016	150,000
2017	155,000
2018	165,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

The remaining principal amount of such bonds \$175,000 will be paid at stated maturity on December 1, 2019.

The term bonds that mature December 1, 2024 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2020, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>to be Redeemed</u>
2020	\$185,000
2021	195,000
2022	205,000
2023	215,000

The remaining principal amount of such bonds \$225,000 will be paid at stated maturity on December 1, 2024.

The term bonds that mature December 1, 2031 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2025, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2025	\$235,000
2026	245,000
2027	260,000
2028	270,000
2029	285,000
2030	295,000

The remaining principal amount of such bonds \$310,000 will be paid at stated maturity on December 1, 2031.

Bonds maturing on or after December 1, 2019 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after December 1, 2014, at par, which is 100% of the principal amount of the bonds.

When partial redemption is authorized, the Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such Bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- B.** During fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance 06/30/04	Additions	Reductions	Balance 06/30/05	Amount Due in One Year
Governmental Activities:					
Compensated absences payable	\$ 522,098	\$ 93,763	\$ (55,231)	\$ 560,630	\$ 52,634
General obligation bonds payable:					
Serial Bonds, \$1,197,000 @ 2.0%-3.50%	-	1,197,000	-	1,197,000	102,000
Term Bonds, \$3,710,000 @ 4.75%-5.375%	-	3,710,000	-	3,710,000	-
Lease-purchase agreement	-	16,583	(6,075)	10,508	4,998
Capital lease obligation	32,457	-	(17,794)	14,663	8,762
Total governmental activities long-term liabilities	\$ 554,555	\$ 5,017,346	\$ (79,100)	\$ 5,492,801	\$ 168,394
Add: Unamortized premium on bonds				161,658	
Total on statement of net assets				\$ 5,654,459	

Compensated absences will be paid from the fund from which the employees' salaries are paid.

- C.** The following is a summary of the future debt service requirements to maturity to the general obligation bonds:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2006	\$ 102,000	\$ 217,871	\$ 319,871
2007	110,000	215,751	325,751
2008	110,000	213,414	323,414
2009	115,000	210,739	325,739
2010	115,000	207,691	322,691
2011 - 2015	645,000	980,447	1,625,447
2016 - 2020	785,000	823,960	1,608,960
2021 - 2025	1,025,000	587,704	1,612,704
2026 - 2030	1,295,000	303,407	1,598,407
2031 - 2032	605,000	29,094	634,094
Total	\$ 4,907,000	\$ 3,790,078	\$ 8,697,078

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the 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 District. The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$1,405,773 and an unvoted debt margin of \$68,573.

NOTE 12 - NOTES PAYABLE

The District had the following note activity during fiscal 2005:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/05</u>
School Improvement	08/19/04	12/17/05	\$ -	\$ 780,000	\$ (780,000)	\$ -
Total			\$ -	\$ 780,000	\$ (780,000)	\$ -

On August 19, 2004, the District issued \$780,000 in bond anticipation to begin various construction projects. These notes were retired by a bond issue received in fiscal 2005 (see Note 11.A.).

NOTE 13 - 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 classified employees. In addition, upon retirement, a certified employee is entitled to receive an additional severance payment of \$5.00 for accrued but unused sick leave days not calculated in the severance payment.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The 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 2005, the 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 \$1,000,000 per claim and \$3,000,000 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 \$16,930,620 in the aggregate with a \$1,000 deductible.

The Perkins athletic facility is exposed to flood risk. During fiscal year 2005, the District contracted with South Carolina Insurance Company for flood insurance. The limitation on this insurance was \$172,900 for building damage and \$17,100 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 \$23,700 for building and \$2,800 for contents damage with a \$1,000 deductible.

Vehicles are covered by Westfield Insurance Company and hold a \$1,000 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.

B. OASBO Group Workers' Compensation Rating Plan

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan 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 Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the Plan.

C. Medical and Ancillary Insurance

The District contracts with The Health Plan of the Upper Ohio Valley and Health Assurance for hospitalization insurance for all employees. The District pays up to \$761.00 of the total monthly premiums for family and ancillary coverage and up to \$363.00 for individual and ancillary coverage for all certified employees and up to \$746.00 of the total monthly premiums for family health coverage and up to \$363.00 for individual health coverage for all classified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 14 - RISK MANAGEMENT - (Continued)

D. Dental, Vision, Prescription and Life Insurance

Dental, vision, prescription and life insurance is offered to employees through a self-insurance internal service fund. The 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 District's behalf. The claims liability of \$3,897 reported in the Internal Service Fund at June 30, 2005, 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>
2005	\$ 2,977	\$ 328,861	\$ (327,941)	\$ 3,897
2004	11,828	279,480	(288,331)	2,977

NOTE 15 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes 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 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$101,908, \$101,346 and \$98,164, respectively; 38.92% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$62,244 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 15 - DEFINED BENEFIT PENSION PLAN - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$429,326, \$426,344 and \$400,901, respectively; 83.05% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$72,752 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$7,152 made by the District and \$9,581 made by plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 15 - DEFINED BENEFIT PENSION PLAN - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

The 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 partial 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 who participated in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$30,666 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268,739 million 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 to disability and survivor benefit recipients. 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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$36,439 to fund health care benefits, including the surcharge.

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. Expenses for health care at June 30, 2004, (the latest information available) 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 17 - 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, disbursements and encumbrances.

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:

- (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) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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	\$ (267,937)
Net adjustment for revenue accruals	1,991
Net adjustment for expenditure accruals	(42,881)
Net adjustment for other sources/uses	69,241
Adjustment for encumbrances	<u>93,438</u>
GAAP basis	<u>\$ (146,148)</u>

NOTE 18 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The 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, 2005
CONTINUED

NOTE 19 - STATUTORY RESERVES

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. At June 30, 2005, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2004	\$ (70,731)	\$ -	\$ 26,895
Current year set-aside requirement	108,342	108,342	-
Current year offsets	-	(195,829)	-
Qualifying disbursements	<u>(90,448)</u>	<u>(4,035)</u>	<u>-</u>
Total	<u>\$ (52,837)</u>	<u>\$ (91,522)</u>	<u>\$ 26,895</u>
Cash balance carried forward to FY 2006	<u>\$ (52,837)</u>	<u>\$ -</u>	<u>\$ 26,895</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to 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 District also received monies restricted for school bus purchases. The amount of \$15,340 for school bus reserves is in the General Fund on the combined balance sheet at June 30, 2005.

A schedule of the restricted assets at June 30, 2005 follows:

Amounts restricted for BWC refunds	\$ 26,895
Amounts restricted for school bus purchases	<u>15,340</u>
Total restricted assets	<u>\$ 42,235</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
CONTINUED

NOTE 20 – OUTSTANDING CONTRACT

The District is beginning their Ohio School Facilities Commission new Bridgeport PK-12 School project and had the following outstanding contract at June 30, 2005:

<u>Project</u>	<u>Outstanding Amount</u>
Ohio School Facilities Commission – Site Work and Foundations	\$ 1,490,000

The future construction of the District's new Bridgeport PK-12 School, in accordance with the Ohio School Facilities Commission project, are commitments of the District's Classroom Facilities Capital Projects Fund. This \$19,983,257 project is being funded by the proceeds of \$3,997,000 in general obligation bonds issued by the District, with the remaining portion funded through the Ohio School Facilities Commission. As of June 30, 2005, the District awarded the above contract; however, no work had been performed on this contract.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$0	\$19,137	\$0	\$19,137
School Breakfast Program	045237-05PU-04/05	10.553	43,270		43,270	
National School Lunch Program	045237-LLP4-04/05	10.555	<u>142,480</u>		<u>142,480</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>185,750</u>	<u>19,137</u>	<u>185,750</u>	<u>19,137</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045237-C1S1-2004/05	84.010	267,288		286,075	
Special Education - Grants to States	045237-6BSF-2004/05	84.027	223,599		218,162	
Safe and Drug-Free Schools and Communities_State Grants	045237-DRS1-2004/05	84.186	6,261		8,006	
Innovative Education Program Strategies	045237-C2S2-2004/05	84.298	2,872		22,389	
Education Technology State Grants	045237-TJS1-2004/05	84.318	1,878		12,706	
Comprehensive School Reform Demonstration	045237-RFS3-2004	84.332	60,750		60,368	
Improving Teacher Quality State Grants	045237-TRS1-2004/05	84.367	<u>66,453</u>		<u>64,683</u>	
Total U.S. Department of Education			<u>629,101</u>	<u>0</u>	<u>672,389</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mental Retardation & Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	2,853		2,853	
Medical Assistance Program	N/A	93.778	<u>51,302</u>		<u>51,302</u>	
Total U. S. Department of Health and Human Services			<u>54,155</u>	<u>0</u>	<u>54,155</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>						
<i>Passed Through Ohio Department of Emergency Management Agency:</i>						
Public Assistance Grants	FEMA-1556-DR-013UF8CL	97.036	<u>109,196</u>		<u>105,364</u>	
Total U. S. Department of Homeland Security			<u>109,196</u>	<u>0</u>	<u>105,364</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$978,202</u>	<u>\$19,137</u>	<u>\$1,017,658</u>	<u>\$19,137</u>

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
JUNE 30, 2005**

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:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.186	045237-DRS1-2004		\$500
84.186	045237-DRS1-2005	\$500	
84.298	045237-C2S1-2004		3,498
84.298	045237-C2S1-2005	3,498	
84.318	045237-TJS1-2004		736
84.318	045237-TJS1-2005	736	
84.367	045237-TRS1-2004		<u>1,220</u>
84.367	045237-TRS1-2005	<u>1,220</u>	
Total		<u>\$5,954</u>	<u>\$5,954</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 District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2006, wherein we noted the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. 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 District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial 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 District's management dated February 23, 2006, 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 District's basic 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 District's management dated February 23, 2006, 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

February 23, 2006



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 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, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal program. The 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 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 District's compliance with those requirements.

In our opinion, the 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, 2005.

Internal Control over Compliance

The 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 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and 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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 23, 2006.

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.



Betty Montgomery
Auditor of State

February 23, 2006

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

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
JUNE 30, 2005
(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
MARCH 23, 2006**