



Mary Taylor, CPA
Auditor of State

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	19
Statement of Net Assets – Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	21
Statement of Cash Flows.....	22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	24
Notes to the Basic Financial Statements	25
Federal Awards Receipts and Expenditures Schedule.....	59
Notes to the Federal Awards Receipts and Expenditures Schedule	60
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	61
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	63
Schedule of Findings - <i>OMB Circular A-133 Section .505</i>	65
Corrective Action Plan	67

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Mary Taylor, CPA

Auditor of State

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 the Bridgeport Exempted Village School District, Belmont County, Ohio (the "School District"), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bridgeport Exempted Village School District, Belmont County, Ohio, as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 15, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Bridgeport Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$90,016.
- General revenues accounted for \$6,060,944 in revenue or 72.98% of all revenues. Program specific revenues in the form of charges for services and sales; operating grants and contributions; and capital grants and contributions accounted for \$2,243,867 or 27.02% of total revenues of \$8,304,811.
- The School District had \$8,394,827 in expenses related to governmental activities; \$2,243,867 of these expenses was offset by program specific charges for services and sales; operating grants or contributions; and capital grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,060,944 were not adequate to provide for these programs.
- The School District's major governmental funds are the General Fund and Classroom Facilities Fund. The General Fund had \$5,987,577 in revenues and \$6,479,438 in expenditures and other financing uses. During fiscal year 2006, the General Fund's fund balance decreased \$491,861 from \$30,481 to a deficit of \$461,380.
- The Classroom Facilities Fund had \$9,819,001 in revenues and \$10,082,334 in expenditures. During fiscal year 2006, the Classroom Facilities Fund's fund balance decreased \$263,333 from \$7,363,734 to \$7,100,401.

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the General Fund and 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, 2006

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Proprietary Funds

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

Reporting the School District's Fiduciary Responsibilities

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

Notes to the 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 through 58 of this report.

The School District as a Whole

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

The table below provides a summary of the School District's net assets for 2006 and 2005.

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 13,186,687	\$ 22,632,316
Capital assets	<u>12,310,640</u>	<u>2,439,826</u>
Total assets	<u>25,497,327</u>	<u>25,072,142</u>
<u>Liabilities</u>		
Current liabilities	3,001,073	2,539,580
Long-term liabilities	<u>5,708,167</u>	<u>5,654,459</u>
Total liabilities	<u>8,709,240</u>	<u>8,194,039</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	7,256,158	1,634,655
Restricted	10,230,452	15,577,002
Unrestricted (deficit)	<u>(698,523)</u>	<u>(333,554)</u>
Total net assets	<u>\$ 16,788,087</u>	<u>\$ 16,878,103</u>

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

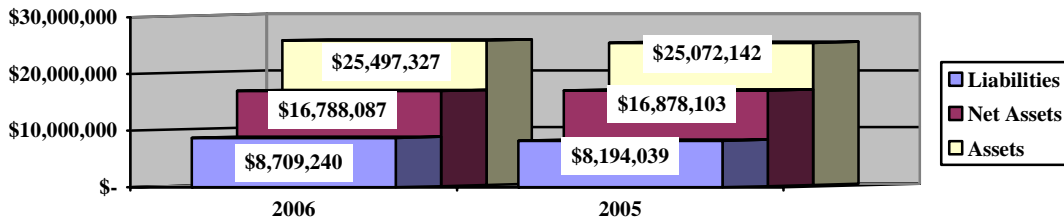
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the School District's assets exceeded liabilities by \$16,788,087. Of this total, \$10,230,452 is restricted in use.

At year-end, capital assets represented 48.28% 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, 2006, were \$7,256,158. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$10,230,452 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 \$698,523.

Governmental Activities



The table below shows the change in net assets for fiscal years 2006 and 2005.

	2006	2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 404,925	\$ 403,821
Operating grants and contributions	1,816,084	1,396,169
Capital grants and contributions	22,858	-
General revenues:		
Property taxes	1,939,400	1,764,560
Grants and entitlements	3,729,829	4,064,869
Grants restricted for Ohio Schools		
Facilities Construction	-	1,018,041
Investment earnings	371,891	128,815
Miscellaneous	19,824	74,331
Total revenues	8,304,811	8,850,606

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Expenses</u>	<u>2006</u>	<u>2005</u>
Instruction:		
Regular	\$ 3,772,746	\$ 3,582,481
Special	1,154,698	1,039,704
Vocational	34,138	69,661
Other	36,706	51,630
Support services:		
Pupil	283,501	223,395
Instructional staff	252,054	263,947
Board of education	26,386	35,254
Administration	603,112	528,438
Fiscal	273,454	260,702
Business	5,959	6,951
Operations and maintenance	846,828	857,528
Pupil transportation	314,654	274,994
Central	40,674	6,082
Operation of non-instructional services:		
Food service operations	309,062	300,917
Other non-instructional services	25,405	10,226
Extracurricular activities	136,993	127,138
Intergovernmental pass-through	60,076	80,775
Interest and fiscal charges	<u>218,381</u>	<u>147,401</u>
Total expenses	<u>8,394,827</u>	<u>7,867,224</u>
Change in net assets	(90,016)	983,382
Net assets at beginning of year	<u>16,878,103</u>	<u>15,894,721</u>
Net assets at end of year	<u>\$ 16,788,087</u>	<u>\$ 16,878,103</u>

Governmental Activities

Net assets of the School District's governmental activities decreased \$90,016. Total governmental expenses of \$8,394,827 were offset by program specific revenues of \$2,243,867 and general revenues of \$6,060,944. Program specific revenues supported 26.72% 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 68.26% of total governmental revenue.

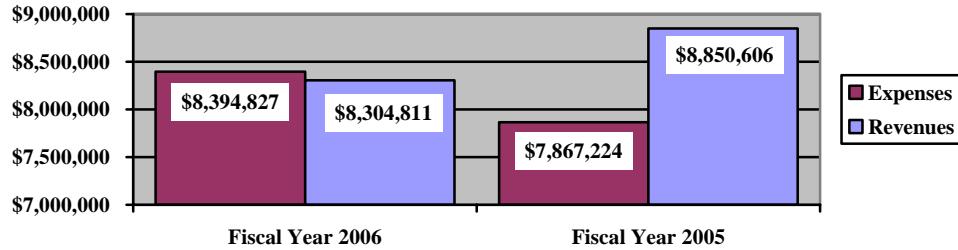
The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,998,288 or 59.54% of total governmental expenses for fiscal 2006.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the School District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

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 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Expenses				
Instruction:				
Regular	\$ 3,772,746	\$ 3,206,335	\$ 3,582,481	\$ 2,982,249
Special	1,154,698	298,317	1,039,704	525,092
Vocational	34,138	(39,457)	69,661	64,095
Other	36,706	36,706	51,630	51,630
Support services:				
Pupil	283,501	270,369	223,395	223,376
Instructional staff	252,054	134,331	263,947	147,577
Board of education	26,386	26,386	35,254	35,254
Administration	603,112	595,415	528,438	520,146
Fiscal	273,454	271,763	260,702	258,028
Business	5,959	2,867	6,951	4,187
Operations and maintenance	846,828	800,104	857,528	765,617
Pupil transportation	314,654	189,308	274,994	256,795
Central	40,674	38,766	6,082	3,846
Operation of non-instructional services:				
Food service operations	309,062	6,006	300,917	15,821
Other non-instructional services	25,405	809	10,226	(33,909)
Extracurricular activities	136,993	95,060	127,138	88,850
Intergovernmental pass-through	60,076	(506)	80,775	11,179
Interest and fiscal charges	218,381	218,381	147,401	147,401
Total expenses	\$ 8,394,827	\$ 6,150,960	\$ 7,867,224	\$ 6,067,234

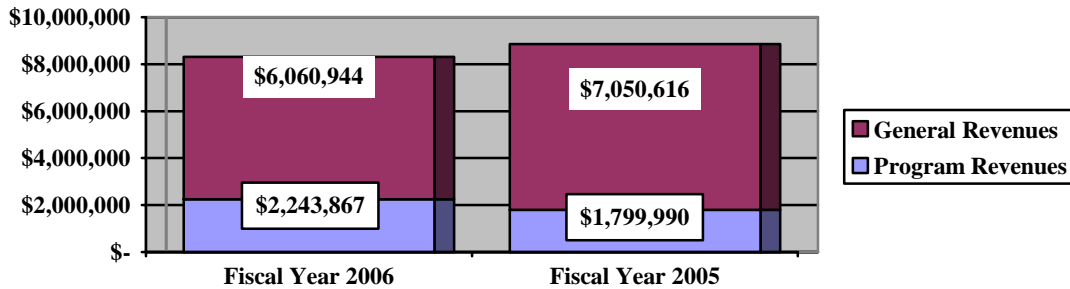
**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The dependence upon tax and other general revenues for governmental activities is apparent, 70.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.27%. The School District's taxpayers, as a whole, are by far the primary support for School District's students.

The graph below presents the School District's governmental activities revenue for fiscal years 2006 and 2005.

Governmental Activities - General and Program Revenues



The School District's Funds

The School District's governmental funds reported a combined fund balance of \$7,233,860, which is lower than last year's total of \$7,721,416. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance (Deficit) <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	Increase (Decrease)
General	\$ (461,380)	\$ 30,481	\$ (491,861)
Classroom Facilities	7,100,401	7,363,734	(263,333)
Other Governmental Funds	<u>594,839</u>	<u>327,201</u>	<u>267,638</u>
Total	<u>\$ 7,233,860</u>	<u>\$ 7,721,416</u>	<u>\$ (487,556)</u>

Expenditures exceed revenues for fiscal year 2006 by \$487,556.

General Fund

The School District's General Fund balance decreased \$491,861. The decrease in fund balance can be attributed to several items related to increased expenditures still exceeding increased revenues. 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, 2006

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Revenues</u>			
Taxes	\$ 1,520,269	\$ 1,480,751	\$ 39,518
Tuition	251,302	251,821	(519)
Earnings on investments	16,318	9,572	6,746
Intergovernmental	4,171,182	4,024,620	146,562
Other revenues	<u>28,506</u>	<u>26,630</u>	<u>1,876</u>
Total	<u>\$ 5,987,577</u>	<u>\$ 5,793,394</u>	<u>\$ 194,183</u>
<u>Expenditures</u>			
Instruction	\$ 3,859,957	\$ 3,830,785	\$ 29,172
Support services	2,527,441	1,993,703	533,738
Extracurricular activities	77,835	71,488	6,347
Facilities acquisition and construction	-	17,136	(17,136)
Debt service	<u>9,172</u>	<u>19,176</u>	<u>(10,004)</u>
Total	<u>\$ 6,474,405</u>	<u>\$ 5,932,288</u>	<u>\$ 542,117</u>

Classroom Facilities Fund

The Classroom Facilities Fund had \$9,819,001 in revenues and \$10,082,334 in expenditures. During fiscal year 2006, the Classroom Facilities Fund's fund balance decreased \$263,333 from \$7,363,734 to \$7,100,401.

General Fund Budgeting Highlights

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

Original and Final budgeted revenues and other financing sources were \$6,243,207. Actual revenues and other financing sources for fiscal 2006 was \$6,227,260. This represents a \$15,947 decrease from final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$6,360,438 were increased to \$6,853,438 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$6,766,834, which was \$86,604 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the School District had \$12,310,640 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 2006 balances compared to 2005:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 823,169	\$ 823,169
Land improvements	11,248	14,544
Building and improvements	67,779	83,948
Furniture and equipment	289,598	344,637
Vehicles	182,521	108,058
Construction in progress	<u>10,936,325</u>	<u>1,065,470</u>
Total	<u>\$ 12,310,640</u>	<u>\$ 2,439,826</u>

The overall increase in capital assets of \$9,870,814 is due to construction in progress increasing by \$9,870,855 during the fiscal year.

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

Debt Administration

At June 30, 2006, the School District had \$5,901 in capital lease obligations, \$5,510 in lease-purchase agreements, \$4,805,000 in general obligation bonds outstanding and \$190,000 in notes payable. Of this total, \$120,779 is due within one year and \$5,400,710 is due within greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
Capital lease obligations	\$ 5,901	\$ 14,663
Lease-purchase agreement	5,510	10,508
General obligation bonds	4,805,000	4,907,000
Notes payable	<u>190,000</u>	<u>-</u>
Total	<u>\$ 5,006,411</u>	<u>\$ 4,932,171</u>

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

Current Financial Related Activities

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

The Board of Education and Administration work diligently to provide the educational resources and personal needs to provide excellent educational opportunities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The School District is embarking on very exciting times. In June of 2003, the School District approved a resolution to participate in the Ohio School Facilities Commission Classroom Facilities Assistance Program. The School District was approved to build a new 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 School District contributing \$3,997,000, twenty percent of the cost. In March 2004, 57% of the community voted to approve a 5.67 mill Bond issue. The Bond issue consisted of three separate issues: 3.71 mills for local share of the Ohio School Facilities Program, 1.86 mills for the acquisition of the site, and .1 mills for locally funded initiative (LFI) for administrative offices.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Amy Porter, Bridgeport Exempted Village School District, 501 Bennett Street, Bridgeport, Ohio 43912.

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,294,095
Investments	4,100,463
Cash with fiscal agent	105,976
Receivables:	
Taxes	2,050,821
Intergovernmental	2,491,891
Accrued interest	5,992
Prepayments	18,449
Materials and supplies inventory	3,958
Loans	7,546
Unamortized bond issue costs	107,496
Capital assets:	
Land	823,169
Construction in progress	10,936,325
Depreciable capital assets, net	551,146
Capital assets, net	12,310,640
 Total assets	 25,497,327
 Liabilities:	
Accounts payable	47,176
Contracts payable	533,658
Accrued wages and benefits	577,087
Pension obligation payable	148,018
Intergovernmental payable	14,679
Deferred revenue	1,654,809
Accrued interest payable	19,148
Claims payable	6,498
Long-term liabilities:	
Due within one year	151,899
Due within more than one year	5,556,268
 Total liabilities	 8,709,240
 Net Assets:	
Invested in capital assets, net of related debt	7,256,158
Restricted for:	
Capital projects	9,860,736
Debt service	196,159
Classroom facilities maintenance	51,879
Locally funded programs	5
State funded programs	70,869
Federally funded programs	37,911
Other purposes	12,893
Unrestricted (deficit)	(698,523)
 Total net assets	 \$ 16,788,087

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, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 3,772,746	\$ 251,302	\$ 301,474	\$ 13,635	\$ (3,206,335)
Special	1,154,698	-	856,381	-	(298,317)
Vocational	34,138	-	73,595	-	39,457
Other	36,706	-	-	-	(36,706)
Support services:					
Pupil	283,501	-	13,132	-	(270,369)
Instructional staff	252,054	-	117,723	-	(134,331)
Board of education	26,386	-	-	-	(26,386)
Administration	603,112	-	7,697	-	(595,415)
Fiscal	273,454	-	1,094	597	(271,763)
Business	5,959	-	3,092	-	(2,867)
Operations and maintenance	846,828	-	43,236	3,488	(800,104)
Pupil transportation	314,654	14,976	110,370	-	(189,308)
Central	40,674	-	1,908	-	(38,766)
Operation of non-instructional services:					
Food service operations	309,062	101,852	201,204	-	(6,006)
Other non-instructional services	25,405	-	24,596	-	(809)
Extracurricular activities	136,993	36,795	-	5,138	(95,060)
Intergovernmental pass-through	60,076	-	60,582	-	506
Interest and fiscal charges	218,381	-	-	-	(218,381)
Total governmental activities	\$ 8,394,827	\$ 404,925	\$ 1,816,084	\$ 22,858	(6,150,960)

General Revenues:

Property taxes levied for:	
General purposes	1,548,814
Special revenue	34,586
Debt service	302,118
Capital projects	53,882
Grants and entitlements not restricted to specific programs	3,729,829
Investment earnings	371,891
Miscellaneous	19,824
Total general revenues	6,060,944
Change in net assets	(90,016)
Net assets at beginning of year	16,878,103
Net assets at end of year	\$ 16,788,087

See accompanying notes to the basic financial statements

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 7,251	\$ 3,531,481	\$ 742,470	\$ 4,281,202
Investments	-	4,100,463	-	4,100,463
Receivables:				
Taxes	1,640,474	-	410,347	2,050,821
Intergovernmental	-	2,338,207	153,684	2,491,891
Accrued interest	-	5,992	-	5,992
Interfund receivable	22,112	-	-	22,112
Loans	7,546	-	-	7,546
Due from other funds	48,764	-	-	48,764
Prepayments	18,449	-	-	18,449
Materials and supplies inventory	-	-	3,958	3,958
Restricted assets:				
Equity in pooled cash and cash equivalents	12,893	-	-	12,893
Total assets	<u>\$ 1,757,489</u>	<u>\$ 9,976,143</u>	<u>\$ 1,310,459</u>	<u>\$ 13,044,091</u>
Liabilities:				
Accounts payable	\$ 42,005	\$ -	\$ 5,171	\$ 47,176
Contracts payable	-	533,658	-	533,658
Accrued wages and benefits	462,332	-	114,755	577,087
Compensated absences payable	19,531	-	154	19,685
Pension obligation payable	118,738	-	29,280	148,018
Intergovernmental payable	13,121	-	1,558	14,679
Interfund payable	-	-	22,112	22,112
Due to other funds	-	-	48,764	48,764
Deferred revenue	1,563,142	2,342,084	493,826	4,399,052
Total liabilities	<u>2,218,869</u>	<u>2,875,742</u>	<u>715,620</u>	<u>5,810,231</u>
Fund Balances:				
Reserved for encumbrances	51,614	130,066	80,748	262,428
Reserved for property tax unavailable for appropriation	57,233	-	15,558	72,791
Reserved for debt service	-	-	154,371	154,371
Reserved for school bus purchase	12,893	-	-	12,893
Unreserved, undesignated (deficit), reported in:				
General fund	(583,120)	-	-	(583,120)
Special revenue funds	-	-	(22,709)	(22,709)
Capital projects funds	-	6,970,335	366,871	7,337,206
Total fund balances	<u>(461,380)</u>	<u>7,100,401</u>	<u>594,839</u>	<u>7,233,860</u>
Total liabilities and fund balances	<u>\$ 1,757,489</u>	<u>\$ 9,976,143</u>	<u>\$ 1,310,459</u>	<u>\$ 13,044,091</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, 2006

Total governmental fund balances		\$	7,233,860
<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.			12,310,640
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	300,053	
Intergovernmental revenue		2,440,313	
Accrued interest		3,877	
Total			2,744,243
Unamortized premiums on bond issuance is not recognized in the funds.			(155,558)
Unamortized bond issuance costs are not recognized in the funds.			107,496
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(19,148)
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.			99,478
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(526,513)	
Bonds payable		(4,805,000)	
Lease-purchase agreement		(5,510)	
Notes payable		(190,000)	
Capital lease obligation		(5,901)	
Total			(5,532,924)
Net assets of governmental activities		\$	16,788,087

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, 2006

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 1,520,269	\$ -	\$ 396,906	\$ 1,917,175
Tuition	251,302	-	-	251,302
Transportation fees	14,976	-	-	14,976
Charges for services	-	-	101,852	101,852
Earnings on investments	16,318	341,566	4,806	362,690
Extracurricular	-	-	36,795	36,795
Other local revenues	13,530	3,800	2,494	19,824
Intergovernmental - State	4,137,236	9,473,635	582,544	14,193,415
Intergovernmental - Federal	33,946	-	768,203	802,149
Total revenue	<u>5,987,577</u>	<u>9,819,001</u>	<u>1,893,600</u>	<u>17,700,178</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,165,913	-	292,230	3,458,143
Special	660,175	-	501,648	1,161,823
Vocational	32,894	-	1,684	34,578
Other	975	-	35,731	36,706
Support services:				
Pupil	270,197	-	11,127	281,324
Instructional staff	148,773	-	94,054	242,827
Board of education	26,386	-	-	26,386
Administration	592,527	-	8,873	601,400
Fiscal	259,897	803	11,817	272,517
Business	-	-	6,077	6,077
Operations and maintenance	808,804	-	30,861	839,665
Pupil transportation	383,933	-	5,491	389,424
Central	36,924	-	3,750	40,674
Food service operations	-	-	310,338	310,338
Other non-instructional services	-	-	21,654	21,654
Extracurricular activities	77,835	-	60,734	138,569
Facilities acquisition and construction	-	10,081,531	41,157	10,122,688
Intergovernmental pass through	-	-	60,076	60,076
Debt service:				
Principal retirement	8,762	-	106,998	115,760
Interest and fiscal charges	410	-	218,948	219,358
Total expenditures	<u>6,474,405</u>	<u>10,082,334</u>	<u>1,823,248</u>	<u>18,379,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(486,828)</u>	<u>(263,333)</u>	<u>70,352</u>	<u>(679,809)</u>
Other financing sources (uses):				
Transfers in	-	-	5,033	5,033
Transfers out	(5,033)	-	-	(5,033)
Sale of notes	-	-	190,000	190,000
Accrued interest on sale of notes	-	-	2,253	2,253
Total other financing sources (uses)	<u>(5,033)</u>	<u>-</u>	<u>197,286</u>	<u>192,253</u>
Net change in fund balances	(491,861)	(263,333)	267,638	(487,556)
Fund balances at beginning of year	<u>30,481</u>	<u>7,363,734</u>	<u>327,201</u>	<u>7,721,416</u>
Fund balances (deficit) at end of year	<u>\$ (461,380)</u>	<u>\$ 7,100,401</u>	<u>\$ 594,839</u>	<u>\$ 7,233,860</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, 2006

Net change in fund balances - total governmental funds \$ (487,556)

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

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

Capital asset additions	\$	9,987,085	
Current year depreciation		(116,226)	
Total			9,870,859

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (45)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Taxes		22,225	
Intergovernmental revenue		(9,426,793)	
Accrued interest		3,877	
Total			(9,400,691)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. (907)

Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities 6,100

Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (4,216)

Notes 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. (190,000)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 115,760

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. (3,990)

The internal service fund used by management to charge the cost 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. 4,670

Change in net assets of governmental activities \$ (90,016)

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 (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 1,590,000	\$ 1,590,000	\$ 1,539,822	\$ (50,178)
Tuition	260,000	260,000	251,302	(8,698)
Transportation fees	17,000	17,000	14,976	(2,024)
Earnings on investments	15,000	15,000	19,664	4,664
Other local revenues	20,000	20,000	13,530	(6,470)
Intergovernmental - State	4,197,000	4,197,000	4,137,236	(59,764)
Intergovernmental - Federal	55,000	55,000	33,946	(21,054)
Total revenue	<u>6,154,000</u>	<u>6,154,000</u>	<u>6,010,476</u>	<u>(143,524)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,035,392	3,251,389	3,229,338	22,051
Special	647,271	702,400	688,628	13,772
Vocational	49,684	62,821	52,858	9,963
Other	916	1,400	975	425
Support services:				
Pupil	259,887	302,640	276,492	26,148
Instructional staff	137,886	157,370	146,696	10,674
Board of education	25,638	27,809	27,276	533
Administration	559,635	582,442	595,392	(12,950)
Fiscal	238,650	249,464	253,898	(4,434)
Operations and maintenance	790,172	864,566	840,659	23,907
Pupil transportation	354,237	372,137	376,871	(4,734)
Central	34,706	37,000	36,924	76
Extracurricular activities	74,482	80,000	79,241	759
Total expenditures	<u>6,208,556</u>	<u>6,691,438</u>	<u>6,605,248</u>	<u>86,190</u>
Deficiency of revenues over (under) expenditures	<u>(54,556)</u>	<u>(537,438)</u>	<u>(594,772)</u>	<u>(57,334)</u>
Other financing sources (uses):				
Refund of prior year expenditure	-	-	682	682
Transfers in	-	-	126,895	126,895
Transfers out	(124,005)	(132,340)	(131,928)	412
Advances in	89,207	89,207	89,207	-
Advances out	(27,877)	(29,660)	(29,658)	2
Total other financing sources (uses)	<u>(62,675)</u>	<u>(72,793)</u>	<u>55,198</u>	<u>127,991</u>
Net change in fund balance	(117,231)	(610,231)	(539,574)	70,657
Fund balance at beginning of year	428,391	428,391	428,391	-
Prior year encumbrances appropriated	93,438	93,438	93,438	-
Fund balance (deficit) at end of year	<u>\$ 404,598</u>	<u>\$ (88,402)</u>	<u>\$ (17,745)</u>	<u>\$ 70,657</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, 2006

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 105,976
Total assets	<u>105,976</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>6,498</u>
Total liabilities	<u>6,498</u>
Net assets:	
Unrestricted	99,478
Total net assets	<u><u>\$ 99,478</u></u>

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, 2006

	Governmental Activities - Internal Service Fund
	<hr/>
Operating revenues:	
Charges for services	\$ 348,408
Total operating revenues	<hr/> 348,408 <hr/>
Operating expenses:	
Personal services	775
Purchased services	12,335
Claims	333,699
Total operating expenses	<hr/> 346,809 <hr/>
Operating income	<hr/> 1,599 <hr/>
Nonoperating revenues:	
Interest revenue	<hr/> 3,071 <hr/>
Total nonoperating revenues	<hr/> 3,071 <hr/>
Change in net assets	4,670
Net assets at beginning of year	94,808
Net assets at end of year	<hr/> \$ 99,478 <hr/>

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, 2006

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 348,408
Cash payments for personal services	(775)
Cash payments for purchased services	(12,335)
Cash payments for claims	(331,098)
	4,200
Cash flows from investing activities:	
Interest received	3,071
	3,071
Net increase in cash and cash equivalents	7,271
Cash and cash equivalents at beginning of year	98,705
Cash and cash equivalents at end of year	\$ 105,976
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,599
Changes in assets and liabilities:	
Increase in claims payable	2,601
Net cash provided by operating activities	\$ 4,200

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, 2006

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash	\$ 203,054	\$ 28,998
Total assets	<u>203,054</u>	<u>\$ 28,998</u>
Liabilities:		
Loans	7,531	\$ 15
Due to students	<u>-</u>	<u>28,983</u>
Total liabilities	<u>7,531</u>	<u>\$ 28,998</u>
Net Assets:		
Held in trust for scholarships	<u>195,523</u>	
Total net assets	<u>\$ 195,523</u>	

See accompanying notes to the basic financial statements

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	\$ 7,006
Gifts and contributions	1,905
	<hr/>
Total additions	8,911
	<hr/>
Deductions:	
Scholarships awarded	21,303
	<hr/>
Change in net assets	(12,392)
	<hr/>
Net assets at beginning of year	207,915
	<hr/>
Net assets at end of year	\$ 195,523
	<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, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1856 through the consolidation of existing land areas and school districts. The School District currently ranks as the 554th largest in terms of total enrollment among the 615 public school districts in the State of Ohio. The School District is staffed by 37 non-certificated employees and 60 certificated full-time teaching personnel who provide services to 745 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" 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 School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, preschool and student-related activities of the School District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 School 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 12 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

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

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

ECO-SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 School Districts involved in ECO-SERRC. ECO-SERRC is not financially dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO-SERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

Coalition of Rural and Appalachian Schools

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 School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$300 for fiscal year 2006.

PUBLIC ENTITY RISK POOL

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio 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 13 for further information on this group rating plan.

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool 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
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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.

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

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

PROPRIETARY FUND

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the School District.

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

Fund Financial Statements - Fund financial statements report detailed information about the School 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 School District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the School District's internal service fund is charges for 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 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 School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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, 2006, but which were levied to finance fiscal year 2007 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 and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the School District Board of Education.

TAX BUDGET

Prior to January 15, the Superintendent and Treasurer submit to the School District 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 School District Board-adopted budget is filed with the Belmont County Budget Commission for rate determination.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

ESTIMATED RESOURCES

Prior to April 1, the School District Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2006.

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 School District Board of Education at the fund level of expenditures, for all funds except the General Fund which is enacted at the fund and function level of expenditures, which is the legal level of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the School District Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the School 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 Fund, or alter total function appropriations within the General Fund, must be approved by the School District Board of Education.

The School District 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 School District Board during fiscal 2006.

The budget figures which appear in the statement of budgetary comparisons represent the original and final appropriation amounts that were approved by the School District Board prior to June 30, 2006. 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
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

During fiscal year 2006, investments were limited to negotiable certificates of deposit, State Treasury Asset Reserve of Ohio (STAROhio), U.S. Government 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 School District has invested funds in STAROhio during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. 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, 2006.

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 School District Board of Education, investment earnings are assigned to the general fund, the Auxiliary Services special revenue fund, and the private-purpose trust funds. The Food Service fund receives interest earnings based upon Federal mandate and the Self-Insurance internal service fund receives interest earnings as the amount is held by a fiscal agent in an interest bearing account separate from the School District's internal investment pool. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$16,318, which includes \$10,390 assigned from other School District funds.

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

An analysis of the School 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, 2006

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 expended/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 School 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 School District does not possess infrastructure.

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

<u>Description</u>	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
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, 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, 2006, 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.

L. Unamortized Issuance Costs/Bond Premium

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item 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, 2006**

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

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11. B.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property tax revenue unavailable for appropriation, debt service, 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.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws and/or regulations of other governments. The government-wide statement of net assets reports \$10,230,452 of restricted net assets, of which none have resulted from enabling legislation.

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

P. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Q. 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.

R. 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 school bus purchase. See Note 18 for details.

S. 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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the School District as previously reported at June 30, 2005.

In prior years, the building capital projects fund had been reported as a major fund. During fiscal year 2006, the building capital projects fund is presented as a nonmajor fund. The prior year fund balance is presented as a reconciling item.

Modified Accrual Governmental Fund Balances:

	General	Building	Classroom Facilities	Other Governmental	Total Governmental Funds
Fund Balances, June 30, 2005	\$ 30,481	\$ 133,161	\$ 7,363,734	\$ 194,040	\$ 7,721,416
Building Fund Nonmajor at 6/30/06		(133,161)		133,161	-
Fund Balances, June 30, 2006	\$ 30,481	\$ -	\$ 7,363,734	\$ 327,201	\$ 7,721,416

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
General Fund	\$461,380
<u>Nonmajor Funds</u>	
Food Service	36,164
District Managed Student Activity	906
Auxiliary Service	55
Management Information Systems	314
DPIA	6,578
Summer Intervention	12
Title VI-B	14,863
Title I	35,205
Title VI	1,678
Reducing Class Size	8,402

These funds, other than the food service fund, 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. These deficit fund balances result from adjustments for accrued liabilities. The deficit balance in the general fund will be eliminated by resources not recognized or recorded at fiscal year-end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

The School District had a negative cash balance in the fund listed below, indicating that revenue from other funds were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes this amount has been reported as a fund liability (See Note 5).

Lunchroom	\$ 48,764
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NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the School District 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.

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

Interim monies 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 (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), and Student Loan Marketing Association (Sallie Mae). All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash With Fiscal Agent

The School District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2006, was \$105,976.

B. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all School District deposits was \$2,113,984. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$3,448,904 of the School District's bank balance of \$3,648,904 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School 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 School District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2006, the School District had the following investments:

	Fair Value	Maturity	Percent of Total Investments	Moody's Rating	Standard and Poor Rating
Money Market Mutual Funds	\$4,590	N/A	0.07%	Aaa	AAA
Federal Home Loan Bank - Notes	1,017,348	7/21/2006	15.62%	Aaa	AAA
Federal Home Loan Mortgage Corporation - Notes	839,545	9/26/2006	12.89%	Aaa	AAA
Federal Home Loan Mortgage Corporation - Notes	310,700	5/2/2007	4.77%	Aaa	AAA
Federal Home Loan Mortgage Corporation - Notes	766,560	4/17/2007	11.77%	Aaa	AAA
Federal National Mortgage Association - Notes	576,600	3/28/2007	8.85%	Aaa	AAA
Federal National Mortgage Association - Notes	<u>585,120</u>	12/20/2006	8.98%	Aaa	AAA
 Total Investments	 <u>\$4,100,463</u>				
 Federal National Mortgage Association	 98,375	 12/29/2006	 1.51%	 Aaa	 AAA
Federal National Mortgage Association	99,563	1/2/2007	1.53%	Aaa	AAA
Federal Home Loan Bank	97,375	8/13/2009	1.50%	Aaa	AAA
Negotiable Certificate of Deposit	\$96,924	7/31/2006	1.49%	Aaa	AAA
STAROhio	<u>\$ 2,019,926</u>	N/A	<u>31.02%</u>	N/A	AAAm
 Total	 <u>\$6,512,626</u>		 <u>100.00%</u>		

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 School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School District's investments, except for 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's investment in negotiable Certificates of Deposit, FHLB, FNMA, and FHLMC 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 School District places no limit on the amount that may be invested in any one issuer.

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,113,984
Investments	6,512,626
Cash with fiscal agent	<u>105,976</u>
Total	<u>\$ 8,732,586</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 8,500,534
Private-purpose trust funds	203,054
Agency funds	<u>28,998</u>
Total	<u>\$ 8,732,586</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2006 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	\$ 22,112

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, 2006 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, 2006

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- B.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 5,033

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

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

- C.** Due to/from other funds consisted of the following at June 30, 2006, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major Governmental	\$ 48,764

The purpose of the due to/from other funds is due to negative cash in the food service fund. Interfund loans between governmental funds will be eliminated on the government-wide statements.

- D.** Loans between governmental funds and fiduciary/agency funds are reported as a “loans receivable/payable” on the financial statements. The School District had the following loans outstanding at fiscal year-end:

<u>Loan From</u>	<u>Loan to</u>	<u>Amount</u>
General	Private-Purpose Trust	7,531
General	200-Studenty Activity-Agency	15
Total		7,546

These loans are expected to be repaid in the subsequent year as resources become available in the fiduciary and agency funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2006 was \$57,233 in the General Fund, \$12,160 in the Debt Service Fund and \$3,398 in the Permanent Improvement Capital Projects Fund. This amount has been recorded as 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 Permanent Improvement Capital Projects 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 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 58,850,250	85.82	\$ 58,876,270	86.38
Public utility personal	5,188,930	7.57	5,046,960	7.40
Tangible personal property	<u>4,533,420</u>	<u>6.61</u>	<u>4,236,316</u>	<u>6.22</u>
Total	<u>\$ 68,572,600</u>	<u>100.00</u>	<u>\$ 68,159,546</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 45.07		\$ 44.21	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 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	\$ 2,050,821
Intergovernmental	2,491,891
Accrued interest	<u>5,992</u>
Total	<u>\$ 4,548,704</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 823,169	\$ -	\$ -	\$ 823,169
Construction in progress	<u>1,065,470</u>	<u>9,870,855</u>	<u>-</u>	<u>10,936,325</u>
Total capital assets, not being depreciated	<u>1,888,639</u>	<u>9,870,855</u>	<u>-</u>	<u>11,759,494</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	232,586	-	-	232,586
Buildings and improvements	1,821,689	-	-	1,821,689
Furniture and equipment	779,305	4,690	(27,971)	756,024
Vehicles	617,768	111,540	-	729,308
Library books	<u>113,510</u>	<u>-</u>	<u>-</u>	<u>113,510</u>
Total capital assets, being depreciated	<u>3,564,858</u>	<u>116,230</u>	<u>(27,971)</u>	<u>3,653,117</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(218,042)	(3,296)	-	(221,338)
Buildings and improvements	(1,737,741)	(16,169)	-	(1,753,910)
Furniture and equipment	(434,668)	(59,684)	27,926	(466,426)
Vehicles	(509,710)	(37,077)	-	(546,787)
Library books	<u>(113,510)</u>	<u>-</u>	<u>-</u>	<u>(113,510)</u>
Total accumulated depreciation	<u>(3,013,671)</u>	<u>(116,226)</u>	<u>27,926</u>	<u>(3,101,971)</u>
Governmental activities capital assets, net	<u>\$ 2,439,826</u>	<u>\$ 9,870,859</u>	<u>\$ (45)</u>	<u>\$ 12,310,640</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 62,997
Special	1,360
Vocational	108

Support Services:

Pupil	608
Instructional staff	1,956
Administration	3,388
Fiscal	143
Operations and maintenance	1,446
Pupil transportation	37,077
Operation of non-instructional	3,751
Food service operations	978
Extracurricular	<u>2,414</u>
Total depreciation expense	<u>\$ 116,226</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the School District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the 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. Accumulated depreciation as of June 30, 2006 was \$94,711, leaving a current book value of \$15,247. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$8,762 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, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 5,423
2008	<u>652</u>
Total minimum lease payments	6,075
Less amount representing interest	<u>(174)</u>
Total	<u>\$ 5,901</u>

NOTE 10 - LEASE-PURCHASE AGREEMENT

During a prior fiscal year, the School 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 School District's capital asset records. It is the property of the School District and is in the possession of the school. The computer equipment is the property of the School. The School 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 2006 totaled \$4,998.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LEASE-PURCHASE AGREEMENT – (Continued)

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, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 6,074
Total minimum lease payments	6,074
Less amount representing interest	<u>(564)</u>
Total	<u>\$ 5,510</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. On November 9, 2004 the School 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 School District for which full faith and credit of the School 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 School 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 School District as the project is completed. As of June 30, 2006, 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 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 in the contract with OSFC.

The bond was issued for a twenty-seven year period with a final maturity at December 31, 2031. 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Date	Principal Amount to be Redeemed
2015	\$ 140,000
2016	150,000
2017	155,000
2018	165,000

Unless otherwise called for redemption, 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:

Date	Principal Amount to be Redeemed
2020	\$ 185,000
2021	195,000
2022	205,000
2023	215,000

Unless otherwise called for redemption, 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:

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

Unless otherwise called for redemption, the remaining principal amount of such bonds \$310,000 will be paid at stated maturity on December 1, 2031.

Optional Redemption

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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.

- B.** During fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance 06/30/05	Additions	Reductions	Balance 06/30/06	Amount Due in One Year
Governmental Activities:					
Compensated absences payable	\$ 560,630	\$ 55,588	\$ (70,020)	\$ 546,198	\$ 31,120
Notes payable - 3.40%	-	190,000	-	190,000	-
General obligation bonds payable:					
Serial Bonds 2.0% - 3.50%	1,197,000	-	(102,000)	1,095,000	110,000
Term Bonds 4.75% - 5.375%	3,710,000	-	-	3,710,000	-
Lease-purchase agreement	10,508	-	(4,998)	5,510	5,510
Capital lease obligation	14,663	-	(8,762)	5,901	5,269
Total governmental activities long-term liabilities	\$ 5,492,801	\$ 245,588	\$ (185,780)	\$ 5,552,609	\$ 151,899
Add: Unamortized premium on bonds				155,558	
Total on statement of net assets				\$ 5,708,167	

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
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	120,000	204,281	324,281
2012-2016	665,000	957,379	1,622,379
2017-2021	830,000	780,788	1,610,788
2022-2026	1,075,000	534,332	1,609,332
2027-2031	1,355,000	240,469	1,595,469
2032	310,000	7,363	317,363
Total	\$ 4,805,000	\$ 3,572,207	\$ 8,377,207

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. The School District had the following note activity during fiscal 2006:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/06</u>
School Improvement	07/21/05	07/20/06	\$ -	\$ 190,000	\$ -	\$ 190,000

On July 21, 2005, the School District issued \$190,000 in bond anticipation notes to continue various construction projects. The notes bore an annual interest rate of 3.4% and mature on July 20, 2006 (See Note 17C).

E. The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$1,495,890 and an unvoted debt margin of \$68,160.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn 5 to 15 days of vacation per year, depending upon length of service. The high school principal and superintendent earn 20 days of vacation per year and the treasurer earns 20 days of vacation per year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and the elementary principals do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation for certified and classified employees is 290 days and 280 days, respectively. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 69 days for certified employees and 60 days for classified employees. In addition, upon retirement, certified and classified employees are entitled to receive an additional severance payment of \$5.00 for accrued but unused sick leave days not calculated in the severance payment.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Ohio School Plan, administered by Hylant Group for general liability, property, and fleet insurance. Liability coverage is limited to \$1,000,000 per claim and \$3,000,000 in the aggregate. Property insurance carries a limitation of \$17,438,539 in the aggregate with a \$1,000 deductible.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - RISK MANAGEMENT - (Continued)

The Perkins athletic facility is exposed to flood risk. During fiscal year 2006, the School District contracted with Selective Insurance Company of Southeast for flood insurance. The field house limitation on this insurance was \$170,200 for building damage and \$16,900 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. The grandstand and its contents are also covered under a separate policy with limitations of \$17,600 for building and \$12,600 for content damage with a \$1,000 deductible.

Vehicles are covered by Ohio School Plan, administered by the Hylant Group and hold a \$500 deductible for collision. Automobile liability coverage has a \$1,000,000 per accident, a \$1,000,000 limit per accident for uninsured/underinsure motorists and a \$5,000 limit for medical payments.

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

B. OASBO Group Workers' Compensation Rating Plan

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (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 School 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 School District contracts with The Health Plan of the Upper Ohio Valley and Health Assurance for hospitalization insurance for all employees. The School District pays up to \$901.00 of the total monthly premiums for family and ancillary coverage and up to \$433.00 for individual and ancillary coverage for all certified employees and up to \$797.18 of the total monthly premiums for family health coverage and up to \$318.87 for individual health coverage for all classified employees.

D. Dental, Vision and Life Insurance

Dental, vision, prescription and life insurance are offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of several school districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$6,498 reported in the internal service fund at June 30, 2006, 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - RISK MANAGEMENT - (Continued)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2006	\$ 3,897	\$ 333,699	\$ (331,098)	\$ 6,498
2005	2,977	328,861	(327,941)	3,897

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contribution for pension obligations to SERS for fiscal years ended June 30, 2006, 2005, and 2004 were \$93,014, \$101,908 and \$101,346, respectively. 45.12 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$51,045 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 14 - PENSION PLANS – (Continued)

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

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

For the fiscal year ended June 30, 2006, 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for fund pension obligations to the STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$411,130, \$429,326 and \$426,344, respectively. 84.16 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$65,123 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$4,848 made by the School District and \$11,588 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the School District Board of Education have elected Social Security. The School District's liability is 6.2% of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 15 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are 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 STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$31,625 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, School District paid \$33,755 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 for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158,776,000. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently 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, 2006

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ (539,574)
Net adjustment for revenue accruals	(22,899)
Net adjustment for expenditure accruals	41,674
Net adjustment for other sources/uses	(60,231)
Adjustment for encumbrances	<u>89,169</u>
 GAAP basis	 <u>\$ (491,861)</u>

NOTE 17 – CONTINGENCIES/ SUBSEQUENT EVENTS

A. Grants

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

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 17 – CONTINGENCIES/ SUBSEQUENT EVENTS – (Continued)

C. Bond Anticipation Note

On July 20, 2006, School Improvement Unlimited Tax General Obligation Bond Anticipation Notes, Series 2006, were issued for \$150,000 with an annual interest rate of 4.40% and matures on July 19, 2007.

NOTE 18 - STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on 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 purpose 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 School District may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. On June 29, 2006, the School District Board of Education approved the transfer of the original Bureau of Worker's Compensation monies from the Budget Stabilization Reserve to the General Fund to help avoid a deficit fund balance in the General Fund at June 30, 2006.

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

	Budget Stabilization Reserve	Capital Improvements	Textbooks
Set-aside Reserve Balance as of June 30, 2005	\$26,895	\$0	\$0
Current Year Set-aside Requirement	0	97,087	97,087
Current Year Offsets	0	(279,459)	0
Qualifying Disbursements	(26,895)	0	(84,413)
Current bond proceeds for capital facilities debt	0	(4,907,000)	0
Totals	<u>\$0</u>	<u>(\$5,089,372)</u>	<u>\$12,674</u>
Allowable Carry Forward for Fiscal Year 2006	\$0	(\$4,907,000)	\$0
Allowable Carry Forward at June 30, 2005	<u>0</u>	<u>0</u>	<u>(52,837)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>(\$4,907,000)</u>	<u>(\$40,163)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 18 - STATUTORY RESERVES – (Continued)

The School District had qualifying expenditures and prior year allowable carry forward that reduced the textbook set aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years.

The School District had offsets and qualifying expenditures that exceeded the capital improvement set-aside requirement. The only amount allowed to be carried forward for future years in the capital improvement is the proceeds from the bond issue for local portion of capital facilities program. These bond proceeds may be applied toward future capital improvement set-aside requirements up to the amount of levy proceeds received during the current year.

In addition to the above statutory reserves, the School District also received monies restricted for school bus purchases. The amount of \$12,893 for school bus reserves is in the General Fund on the combined balance sheet at June 30, 2006.

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2006, the School District had the following contractual commitments outstanding related to the Ohio School Facilities construction project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2006</u>	<u>Remaining Contract Amount</u>
Colaianni Construction	\$ 8,218,825	\$ 4,831,923	\$ 3,386,902
C & T Design	252,745	58,797	193,948
ERB Electric	1,814,117	827,050	987,067
DeGol Flooring	259,000	96,784	162,216
George P. Frueh	2,872,258	1,652,092	1,220,166
Peterman Plumbing	849,197	559,094	290,103
S.A. Comunale Co.	208,399	136,015	72,384
Saup/Hartley Roofing	727,158	461,670	265,488
Southern Cab. Casework	406,200	47,210	358,990
Stanley Sec. Technology	612,531	75,036	537,495
Total	<u>\$ 16,220,430</u>	<u>\$ 8,745,671</u>	<u>\$ 7,474,759</u>

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed-Through Ohio Department of Education:</i>						
Food Donation	NA	10.550	\$ -	\$ 10,348	\$ -	\$ 10,348
Nutrition Cluster:						
School Breakfast Program	045237-05-PU-05	10.553	11,369	0	11,369	0
	045237-05-PU-06	10.553	<u>28,886</u>	<u>0</u>	<u>28,886</u>	<u>0</u>
Total School Breakfast Program			40,255	0	40,255	0
National School Lunch Program	045237-LL-P4-05	10.555	36,388	0	36,388	0
	045237-LL-P4-06	10.555	<u>86,159</u>	<u>0</u>	<u>86,159</u>	<u>0</u>
Total National School Lunch Program			<u>122,547</u>	<u>0</u>	<u>122,547</u>	<u>0</u>
Total Nutrition Cluster			<u>162,802</u>	<u>0</u>	<u>162,802</u>	<u>0</u>
Total U.S. Department of Agriculture			162,802	10,348	162,802	10,348
U.S. DEPARTMENT OF EDUCATION						
<i>Passed-Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045237-C1-S1-05	84.010	88,593	0	132,898	0
	045237-C1-S1-06	84.010	<u>230,445</u>	<u>0</u>	<u>232,729</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			319,038	0	365,627	0
Special Education, Grants to States	045237-6B-SF-05	84.027	24,492	0	32,206	0
	045237-6B-SF-06	84.027	<u>227,112</u>	<u>0</u>	<u>210,722</u>	<u>0</u>
Total Special Education, Grants to States			251,604	0	242,928	0
Safe and Drug-Free Schools and Communities, State Grants	045237-DR-S1-05	84.186	1,246	0	0	0
	045237-DR-S1-06	84.186	<u>7,320</u>	<u>0</u>	<u>7,320</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities, State Grants			8,566	0	7,320	0
Innovative Education Program Strategies	045237-C2-S1-05	84.298	1,311	0	(2,234)	0
	045237-C2-S1-06	84.298	<u>1,320</u>	<u>0</u>	<u>1,169</u>	<u>0</u>
Total Innovative Programs, Title V			2,631	0	(1,065)	0
Education Technology State Grants	045237-TJ-S1-05	84.318	5,741	0	0	0
	045237-TJ-S1-06	84.318	<u>1,120</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Education Technology State Grants			6,861	0	0	0
Comprehensive School Reform Demonstration	045237-RF-S3-04	84.332	0	0	382	0
Improving Teacher Quality State Grants	045237-TR-S1-05	84.367	24,300	0	14,068	0
	045237-TR-S1-06	84.367	<u>41,442</u>	<u>0</u>	<u>47,585</u>	<u>0</u>
Total Improving Teacher Quality State Grants			<u>65,742</u>	<u>0</u>	<u>61,653</u>	<u>0</u>
Total U.S. Department of Education			654,442	0	676,845	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	3,288	0	3,288	0
Medical Assistance Program	N/A	93.778	<u>20,369</u>	<u>0</u>	<u>20,369</u>	<u>0</u>
Total U.S. Department of Job and Family Services			23,657	0	23,657	0
U.S. DEPARTMENT OF HOMELAND SECURITY						
<i>Passed-Through Ohio Department of Public Safety - Emergency Management Agency:</i>						
Public Assistance Grants	FEMA-1556-DR-013UF8CL	97.036	<u>18,456</u>	<u>0</u>	<u>22,288</u>	<u>0</u>
Total U.S. Department of Homeland Security			<u>18,456</u>	<u>0</u>	<u>22,288</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			\$ 859,357	\$ 10,348	\$ 885,592	\$ 10,348

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

**BRIDGEPORT EXEMPT VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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 non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D – 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>
84.298	045237-C2S1-05		\$170
84.298	045237-C2S1-06	\$170	
84.318	045237-TJS1-05		\$1,120
84.318	045237-TJS1-06	\$1,120	



Mary Taylor, CPA

Auditor of State

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 the Bridgeport Exempted Village School District, Belmont County, Ohio (the "School District") as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures 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 School District's management dated March 15, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* described in the accompanying Schedule of Findings as item 2006-001. In a separate letter to the School District's management dated March 15, 2007, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 15, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Bridgeport Exempted Village School District, Belmont County, Ohio (the "School District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Bridgeport Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

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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.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 15, 2007

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2006**

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)?	Yes
(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 Section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education, Grants to States, CFDA #84.027
(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 SECTION .505
JUNE 30, 2006
(Continued)**

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 (H) states that money paid into any fund shall be used only for the purposes for which such fund was established. As a result, a deficit fund balance indicates that money from another fund or funds was used to pay the obligations of the fund or funds carrying the deficit balances.

- As of June 30, 2006, the Lunchroom Fund reflected a deficit fund balance of \$48,764.
- As of March 31, 2006, the Lunchroom and EMIS Funds reflected deficit fund balances of \$33,306 and \$4,138, respectively.
- As of November 30, 2005, the Lunchroom, DPIA, IDEA Part-B, Title I, Safe and Drug Free School, and Title II-A Funds reflected deficit fund balances of \$68,455, \$4,131, \$51,872, \$63,349, \$7,320, and \$12,076, respectively.
- As of August 31, 2005, the Lunchroom, Title I, Title V, Safe and Drug Free School, and Title II-A Funds reflected deficit fund balances of \$26,699, \$35,936, \$1,781, \$1,246, and \$1,032, respectively.

We recommend the School District monitor fund balances to ensure that monies from one fund are not utilized to pay expenses incurred by another fund. To cover temporary cash flow shortages, the School District may advance money from other funds to prevent deficits. The School District can refer to Auditor of State Bulletin 97-003 for further guidance regarding advances.

Official's Response:

The June 30, 2006 negative lunchroom account balance of \$48,764 did not include \$43,655.58 in reimbursable federal receipts that were requested prior to June 30, 2006 and deposited in fiscal year 2007. The Board of Education is aware of the negative balance in the Lunchroom Fund. Our transition into a new PK-12 Facility in the 2006-07 school year and the decision to have closed lunches is believed to have a positive effect on the Lunchroom fund. Increases in food and transportation costs have had a negative effect on this fund. Lunch prices and menu options are being evaluated as additional ways to eliminate any deficit balance.

3. FINDINGS FOR FEDERAL AWARDS

None.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-001	The School District will consider the use of advances for short-term cash flow problems.	June 30, 2007	Amy Porter, Treasurer



Mary Taylor, CPA
Auditor of State

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
MAY 10, 2007**