

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

BASIC FINANCIAL STATEMENTS – CASH BASIS

For The Year Ended June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
Bellefontaine City School District
820 Ludlow Road
Bellefontaine, Ohio 43311

We have reviewed the *Independent Auditors' Report* of the Bellefontaine City School District, Logan County, prepared by Rea & Associates, Inc. for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Bellefontaine City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 6, 2006

This Page is Intentionally Left Blank.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial statements:	
Government-wide Financial Statements:	
Statement of Net Assets - Cash Basis	10
Statement of Activities - Cash Basis	11
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances - Governmental Funds	14
Reconciliation of The Statement of Cash Receipts, Disbursements, Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund	16
Statement of Fund Net Assets - Cash Basis - Proprietary Funds	17
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis - Proprietary Funds	18
Statement of Fiduciary Net Assets - Cash Basis	19
Statement of Changes in Fiduciary Net Assets - Cash Basis – Fiduciary Funds	20
Notes to the basic financial statements	21

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	48
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	49
Schedule of Federal Receipts and Disbursements	51
Schedule of Findings and Questioned Costs	52
Schedule of Prior Audit Findings	54

We're Ready For Your Future

November 14, 2005

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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.

Ohio Administrative Code § 117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, Ohio, as of June 30, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2005, on our consideration of the Government'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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
(Unaudited)**

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

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

In total, net assets decreased \$41,070.

General receipts accounted for \$28,793,249, or 90 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$3,175,806 or 10 percent of total receipts of \$31,969,055.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$19,094,323 in receipts and other financing sources, and \$19,854,818 in disbursements and other financing uses. The General Fund's balance decreased \$760,495 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$9,492,222 in receipts and other financing sources and \$8,706,630 in disbursements and other financing uses. The Bond Retirement Fund's balance increased \$785,592 from the prior fiscal year.

The receipts generated from the Debt Service Fund are used to pay for the current portion of bonded debt.

Property tax revenue estimates are based on historical collection levels. The District's assessed valuation has remained fairly constant the last few years. As a result, the District has not realized any substantial growth in local tax receipts. This is reflected in the figures used in the District's five year forecast.

The biennial State budget (HB95) covers the State funding cycle July 1, 2003 through June 30, 2005. The passage of HB95 will have a long-term devastating effect on school funding. HB95 contains four elements that reduce school district funding without any provisions from the State to reimburse districts for these losses. The four elements are:

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
(Unaudited)

Financial Highlights (continued)

1) Property Tax Administration Fund effective in FY04: The Administration Fund will be funded through a loss in revenue due the District from the 10% rollback for real property taxes. As a result of this fund, the District will lose approximately \$10,357 per year. 2) 10-Year Phase-out of \$10,000 Tangible Reimbursement effective in FY04: The first \$10,000 of tangible property taxes has been exempt from taxation. HB95 phases out this revenue source to districts over the next ten years. As a result, the District will lose approximately \$9,631 per year. Once completely phased-out, the annual loss in revenue will be approximately \$96,310. 3) Accelerated Phase-out of the Inventory Tax effective in FY05: The assessment rate for inventory is being reduced by two percent per year until the assessment rate equals zero. The assessment rate is currently 23% and will be phased out completely by the year 2016. The District stands to lose a total of approximately \$1,051,674 over the next twelve years as this tax is phased out. Once completely phased out, the District's revenue from tangible taxes will be cut approximately in half. 4) Assessment Reduction on Pre-1995 Telephone Co. Tangible Property effective in tax year 2005: The estimated revenue loss for this reduction was not readily ascertainable.

The District continues to analyze the long-term effects of HB95 and looks for long-range funding solutions.

Using the Basic Financial Statements

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

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

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
(Unaudited)

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities, both reported on the cash basis, reflect how the District did financially during fiscal year 2005. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

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

In the statement of net assets, cash basis, and the statement of activities, cash basis, the District discloses a single type of activity - governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities and food services.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
(Unaudited)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2005 and 2004. The comparative analysis is minimal because this is the first year for government-wide financial statements using the cash basis of accounting. Additional analysis will be provided in future years when prior year information is available.

**Table 1
Net Assets – Cash Basis
Governmental Activities**

	2005	2004
Pooled Cash and Cash Equivalents	<u>\$6,445,705</u>	<u>\$6,486,774</u>
Restricted for:		
Debt Service	1,658,857	873,264
Capital Outlay	326,369	271,495
Other Purposes	254,584	204,628
Unrestricted	<u>4,205,895</u>	<u>5,137,387</u>
	<u>\$6,445,705</u>	<u>\$6,486,774</u>

Table 2 reflects the changes in net assets for fiscal year 2005. This is the first year of implementation of the GASB 34 reporting format. Comparative figures are not available for fiscal year 2004. A comparative analysis will be provided in future years when prior year information is available.

**Table 2
Change in Net Assets – Cash Basis
Governmental Activities**

	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 995,070
Operating Grants, Contributions and Interest	<u>2,180,736</u>
Total Program Receipts	\$3,175,806
General Receipts:	
Property Taxes	8,561,266
Grants and Entitlements	11,490,049
Investment Earnings	81,176
Miscellaneous	376,143
Interest Received on Debt Issue	13,078
Proceeds from Sale of Refunding Bonds	7,475,000
Premium on Refunding Bond Issue	<u>796,537</u>
Total General Receipts	<u>28,793,249</u>
Total Receipts	<u>\$31,969,055</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
(Unaudited)**

The District as a Whole (continued)

**Table 2
Change in Net Assets – Cash Basis
Governmental Activities
(Continued)**

	2005
Disbursements:	
Instruction	\$13,992,750
Support Services:	
Pupils	925,308
Instructional Staff	1,406,403
Board of Education	170,953
Administration	1,703,916
Fiscal	407,305
Business	186,907
Operation and Maintenance of Plant	2,044,990
Pupil Transportation	582,937
Central	309,759
Non-Instructional	1,055,635
Extracurricular Activities	512,820
Capital Outlay	27,597
Principal	405,049
Interest and Fiscal Charges	656,459
Bond Issuance Costs	146,337
Payment of Refunded Bonds	<u>7,475,000</u>
Total Disbursements	<u>32,010,125</u>
Decrease in Net Assets	<u>\$ (41,070)</u>

Program receipts account for 10 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The majority of program disbursements for governmental activities are for instruction, which accounts for 43 percent of all governmental disbursements. Other programs, which support the instruction process, including pupil, instructional staff, and pupil transportation account for 9 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7 percent. The Refunding Bonds paid during the fiscal year represent 24 percent of current year disbursements. The remaining 17 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
(Unaudited)**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, cash basis, reflects the cost of program service and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to 2005 have not been made since they are not available.

**Table 3
Governmental Activities**

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Instruction	\$13,992,750	\$12,165,078
Support Services:		
Pupils	925,308	925,308
Instructional Staff	1,406,403	1,406,403
Board of Education	170,953	170,953
Administration	1,703,916	1,551,616
Fiscal	407,305	407,305
Business	186,907	186,907
Operation and Maintenance of Plant	2,044,990	2,044,990
Pupil Transportation	582,937	582,937
Central	309,759	309,759
Non-Instructional	1,055,635	83,775
Extracurricular Activities	512,820	288,846
Capital Outlay	27,597	27,597
Principal	405,049	405,049
Interest and Fiscal Charges	656,459	656,459
Bond Issuance Costs	146,337	146,337
Payment of Refunded Bonds to Escrow Agent	<u>7,475,000</u>	<u>7,475,000</u>
Total Disbursements	<u>\$32,010,125</u>	<u>\$28,834,319</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 87 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general revenues is 90 percent. The remaining 10 percent are derived from tuition and fees, specific grants, and donations.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
(Unaudited)

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major government funds were the General Fund and the Bond Retirement Fund. Total governmental funds had receipts of \$32,058,483 and disbursements of \$31,928,556. The net change of \$129,927 in fund balance for the year indicates that the District is meeting current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed. Final disbursements were budgeted at \$20,010,283, while actual disbursements were \$20,071,832.

Debt Administration

At June 30, 2005, the District had \$9,343,886 in general obligation bonds for the construction and improvement of buildings. The bonds were issued for a twenty-two year period with final maturity on December 1, 2026. The bonds are retired from the Bond Retirement Fund.

At June 30, 2005 the District had \$90,000 of Energy Conservation Improvement Notes. The notes mature on December 1, 2005. Payments are made from the Bond Retirement Fund.

At June 30, 2005, the District's overall legal debt margin was \$16,671,904, with an un-voted debt margin of \$289,064.

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

Current Issues

The Board will be closely monitoring expenditures to bring them in line with estimated revenues. Pupil teacher ratios and class sizes will be closely monitored during fiscal year 2006. The result of this analysis will help determine whether to replace retiring certified staff at the end of the 2006 fiscal year as well as in future fiscal years.

The District has two issues on the November 8, 2005 ballot. One issue is a 6.05 mill replacement-operating levy. This levy was originally approved by District voters in May 1986. The other issue is a 1.00 mill replacement permanent improvement levy. This levy was originally approved by District voters in June 1975. Passage of both levies is vital to the continued financial stability of the District.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
(Unaudited)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Keith E. Krieger, Treasurer, Bellefontaine City School District, 820 Ludlow Road, Bellefontaine, OH 43311.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Statement of Net Assets - Cash Basis
June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,445,705</u>
<i>Total Assets</i>	<u>6,445,705</u>
NET ASSETS:	
Restricted for Debt Service	1,658,857
Restricted for Capital Outlay	326,369
Restricted for Other Purposes	254,584
Unrestricted	<u>4,205,895</u>
<i>Total Net Assets</i>	<u><u>\$ 6,445,705</u></u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2005

Governmental Activities:	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
	\$	\$	\$	\$
Instruction:				
Regular	10,220,464	228,611	349,264	(9,642,589)
Special	2,909,169	0	1,249,797	(1,659,372)
Vocational	645,386	0	0	(645,386)
Other	217,731	0	0	(217,731)
Support Services:				
Pupils	925,308	0	0	(925,308)
Instructional Staff	1,406,403	0	0	(1,406,403)
Board of Education	170,953	0	0	(170,953)
Administration	1,703,916	0	152,300	(1,551,616)
Fiscal	407,305	0	0	(407,305)
Business	186,907	0	0	(186,907)
Operation and Maintenance of Plant	2,044,990	0	0	(2,044,990)
Pupil Transportation	582,937	0	0	(582,937)
Central	309,759	0	0	(309,759)
Operation of Non-Instructional Services	1,055,635	542,485	429,375	(83,775)
Extracurricular Activities	512,820	223,974	0	(288,846)
Capital Outlay	27,597	0	0	(27,597)
Debt Service:				
Principal	405,049	0	0	(405,049)
Interest and Fiscal Charges	656,459	0	0	(656,459)
Bond Issuance Costs	146,337	0	0	(146,337)
Payment of Refunded Bonds	7,475,000	0	0	(7,475,000)
<i>Totals</i>	\$ 32,010,125	\$ 995,070	\$ 2,180,736	(28,834,319)
General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				7,312,256
Property Taxes, Levied for Capital Outlay				232,197
Property Taxes, Levied for Debt Service				1,016,813
Grants and Entitlements not Restricted to Specific Programs				11,490,049
Investment Earnings				81,176
Miscellaneous				376,143
Proceeds from Sale of Refunding Bonds				7,475,000
Premium on Refunding Bond Issue				796,537
Interest Received on Debt Issuance				13,078
<i>Total General Receipts</i>				28,793,249
<i>Change in Net Assets</i>				(41,070)
<i>Net Assets Beginning of Year</i>				6,486,775
<i>Net Assets End of Year</i>				\$ 6,445,705

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2005

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,791,450	\$ 1,658,857	\$ 580,953	\$ 6,031,260
<i>Total Assets</i>	<u>\$ 3,791,450</u>	<u>\$ 1,658,857</u>	<u>\$ 580,953</u>	<u>\$ 6,031,260</u>
 FUND BALANCES:				
Reserved for Encumbrances	\$ 61,549	\$ 0	\$ 109,882	\$ 171,431
Reserved for Budget Stabilization	80,693	0	0	80,693
Reserved for Textbooks	275,911	0	0	275,911
Unreserved, Undesignated, Reported in:				
General Fund	3,373,297	0	0	3,373,297
Special Revenue Funds	0	0	177,856	177,856
Debt Service Funds	0	1,658,857	0	1,658,857
Capital Projects Funds	0	0	293,215	293,215
<i>Total Fund Balances</i>	<u>\$ 3,791,450</u>	<u>\$ 1,658,857</u>	<u>\$ 580,953</u>	<u>\$ 6,031,260</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balances	\$	6,031,260
----------------------------------	----	-----------

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Governmental activities' net assets include the internal service funds' cash and cash equivalents. The proprietary funds' statements include these assets.

414,445

Net Assets of Governmental Activities

\$ 6,445,705

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:				
Property and Other Local Taxes	\$ 7,312,256	\$ 1,016,813	\$ 232,197	\$ 8,561,266
Intergovernmental	11,491,298	99,301	2,071,690	13,662,289
Interest	78,785	0	326	79,111
Tuition and Fees	150,742	0	86,365	237,107
Extracurricular Activities	0	0	223,974	223,974
Customer Sales and Services	0	0	542,485	542,485
Miscellaneous	61,242	0	314,901	376,143
<i>Total Receipts</i>	<u>19,094,323</u>	<u>1,116,114</u>	<u>3,471,938</u>	<u>23,682,375</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	9,552,052	0	577,578	10,129,630
Special	2,078,196	0	810,476	2,888,672
Vocational	638,659	0	557	639,216
Other	217,731	0	0	217,731
Support Services:				
Pupils	850,712	0	66,374	917,086
Instructional Staff	1,011,821	0	385,009	1,396,830
Board of Education	170,726	0	0	170,726
Administration	1,622,435	0	66,591	1,689,026
Fiscal	376,415	23,785	5,420	405,620
Business	185,129	0	0	185,129
Operation and Maintenance of Plant	1,892,550	0	143,342	2,035,892
Pupil Transportation	541,432	0	37,076	578,508
Central	279,690	0	28,205	307,895
Operation of Non-Instructional Services	8,826	0	1,046,809	1,055,635
Extracurricular Activities	336,701	0	172,324	509,025
Capital Outlay	250	0	27,347	27,597
Debt Service:				
Principal	0	405,049	0	405,049
Interest	0	656,459	0	656,459
Bond issuance costs	0	146,337	0	146,337
<i>Total Disbursements</i>	<u>19,763,325</u>	<u>1,231,630</u>	<u>3,367,108</u>	<u>24,362,063</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(669,002)</u>	<u>(115,516)</u>	<u>104,830</u>	<u>(679,688)</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Refunding Bonds	0	7,475,000	0	7,475,000
Premium on the Issue of Refunding Bonds	0	796,537	0	796,537
Payment of Refunded Bonds	0	(7,475,000)	0	(7,475,000)
Transfers In	0	91,493	0	91,493
Transfers Out	(91,493)	0	0	(91,493)
Interest Received on Debt Issuance	0	13,078	0	13,078
<i>Total Other Financing Sources and Uses</i>	<u>(91,493)</u>	<u>901,108</u>	<u>0</u>	<u>809,615</u>
<i>Net Change in Fund Balances</i>	<u>(760,495)</u>	<u>785,592</u>	<u>104,830</u>	<u>129,927</u>
<i>Fund Balance at Beginning of Year</i>	<u>4,551,945</u>	<u>873,265</u>	<u>476,123</u>	<u>5,901,333</u>
<i>Fund Balance at End of Year</i>	<u>\$ 3,791,450</u>	<u>\$ 1,658,857</u>	<u>\$ 580,953</u>	<u>\$ 6,031,260</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT

Reconciliation of Statement of Receipts, Disbursements,
Changes in Fund Balances of Governmental Funds
to Statement Activities
For Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 129,927

*Amounts reported for governmental activities on the
statement of activities are different because of the following:*

Internal service funds charge insurance costs to other funds.

The entity-wide statements eliminate governmental fund disbursements
and related internal service fund charges. Governmental activities
report allocated net internal service fund receipts (disbursements).

(170,997)

Change in Net Assets of Governmental Activities

\$ (41,070)

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Schedule of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS:				
Property and Other Local Taxes	\$ 7,024,000	\$ 7,336,967	\$ 7,312,256	\$ (24,711)
Intergovernmental	11,361,397	11,491,298	11,491,298	0
Interest	75,000	78,785	78,785	0
Tuition and Fees	148,000	150,742	150,742	0
Miscellaneous	200,000	216,707	216,707	0
Total Receipts	<u>18,808,397</u>	<u>19,274,499</u>	<u>19,249,788</u>	<u>(24,711)</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	9,790,887	9,554,642	9,616,191	(61,549)
Special	2,217,995	2,217,995	2,217,995	0
Vocational	638,659	638,659	638,659	0
Other	217,731	217,731	217,731	0
Support Services:				
Pupils	850,712	850,712	850,712	0
Instructional Staff	1,020,475	1,020,475	1,020,475	0
Board of Education	170,726	170,726	170,726	0
Administration	1,626,857	1,626,857	1,626,857	0
Fiscal	376,415	376,415	376,415	0
Business	185,129	185,129	185,129	0
Operation and Maintenance of Plant	1,892,550	1,892,550	1,892,550	0
Pupil Transportation	541,432	541,432	541,432	0
Central	279,690	279,690	279,690	0
Operation of Non-Instructional Services:				
Food Service Operations	3,826	3,826	3,826	0
Community Services	5,000	5,000	5,000	0
Extracurricular Activities:				
Academic Oriented Activities	80,184	80,184	80,184	0
Occupation Oriented Activities	124	124	124	0
Sport Oriented Activities	224,939	224,939	224,939	0
School and Public Service Co-Curricular Activities	31,454	31,454	31,454	0
Capital Outlay:				
Building Acquisition and Construction Services	250	250	250	0
Total Disbursements	<u>20,155,035</u>	<u>19,918,790</u>	<u>19,980,339</u>	<u>(61,549)</u>
Excess of Receipts Under Disbursements	<u>(1,346,638)</u>	<u>(644,291)</u>	<u>(730,551)</u>	<u>(86,260)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers Out	(91,493)	(91,493)	(91,493)	0
Total Other Financing Sources and Uses	<u>(91,493)</u>	<u>(91,493)</u>	<u>(91,493)</u>	<u>0</u>
Net Change in Fund Balances	(1,438,131)	(735,784)	(822,044)	(86,260)
Fund Balance at Beginning of Year	4,465,230	4,465,230	4,465,230	0
Prior Year Encumbrances Appropriated	86,715	86,715	86,715	0
Fund Balance at End of Year	<u>\$ 3,113,814</u>	<u>\$ 3,816,161</u>	<u>\$ 3,729,901</u>	<u>\$ (86,260)</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Statement of Fund Net Assets-Cash Basis
Proprietary Funds
June 30, 2005

	<u>Governmental</u> <u>Activities</u>
	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 414,445
<i>Total Assets</i>	<u>414,445</u>
NET ASSETS:	
Unrestricted	<u>414,445</u>
<i>Total Net Assets</i>	<u><u>\$ 414,445</u></u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets-Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Governmental Activity
	Internal Service
OPERATING RECEIPTS:	
Charges for Services	\$ 3,533,936
<i>Total Operating Receipts</i>	3,533,936
OPERATING DISBURSEMENTS:	
Claims	3,706,998
<i>Total Operating Disbursements</i>	3,706,998
<i>Operating Loss</i>	(173,062)
NON-OPERATING RECEIPTS:	
Interest	2,065
<i>Total Non-Operating Receipts</i>	2,065
<i>Net Change in Net Assets</i>	(170,997)
<i>Net Assets at Beginning of Year</i>	585,442
<i>Net Assets at End of Year</i>	\$ 414,445

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Statement of Fiduciary Net Assets-Cash Basis
Fiduciary Funds
June 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 59,998</u>	<u>\$ 110,922</u>
<i>Total Assets</i>	<u>59,998</u>	<u>110,922</u>
 NET ASSETS:		
Restricted		
Held in Trust for Scholarships	59,998	0
Unrestricted	<u>0</u>	<u>110,922</u>
<i>Total Net Assets</i>	<u><u>\$ 59,998</u></u>	<u><u>\$ 110,922</u></u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Statement of Changes in Fiduciary Net Assets-Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
ADDITIONS:	
Interest	<u>\$ 1,426</u>
<i>Total Additions</i>	<u>1,426</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>2,000</u>
<i>Total Deductions</i>	<u>2,000</u>
<i>Change in Net Assets</i>	(574)
<i>Net Assets Beginning of Year</i>	<u>60,572</u>
<i>Net Assets End of Year</i>	<u><u>\$ 59,998</u></u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Bellefontaine City School District (the District) is organized under Section 2 and 3, Article VI of the Constitution of the state of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the voters of the District.

The District serves an area of approximately 31 square miles in Logan County, including all of the City of Bellefontaine, Ohio, and portions of surrounding townships.

The District is the 174th largest in the state of Ohio (among 613 school districts) in terms of enrollment. It currently operates four elementary schools, one middle school and one comprehensive high school. The District is staffed by 128 non-certificated employees, 224 certificated employees to provide services to approximately 2,799 students and other community members.

Reporting Entity

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

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

The District is associated with three significant types of organizations including three jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations include the Ohio Hi-Point Career Center, West Central Ohio Special Education Regional Resource Center, the Logan County Education Foundation, the Joint Recreation District (Blue Jacket Park) and the Sheakley Group Worker's Compensation Group Rating Plan. These organizations are presented in Notes 11 and 12 to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its enterprise funds. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

2. Fund Financial Statements

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

C. Fund Accounting

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General Fund and the Bond Retirement Fund.

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

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

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

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (cash equals net assets) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

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

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

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2005, investments were limited to STAR Ohio and repurchase agreements. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio Statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$78,785, which includes interest assigned from other District funds.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets represent amounts required by State statute required to be set aside for the acquisition and construction of capital improvements.

G. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

I. Long-term Debt

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of fixed assets in proprietary funds are recorded as receipts when the grant is received.

K. Inventory

The School District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Equity Classifications

Government-wide Statements - Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specific purposes. Unrestricted net assets are all other net assets that are not restricted.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements – Governmental fund equity is classified as fund balance. The District records reservations for portions of fund balances which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure in future periods. Fund balance reserves are established for encumbrances.

N. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

O. Receipts and Disbursements

Program Receipts – In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for service, operating and capital grants and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Operating Receipts and Disbursements – Operating receipts and disbursements for proprietary funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposits and Investment Risk Disclosure." GASB Statement No. 40 establishes and modifies the disclosure requirements to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

4. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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 or Ohio local governments;
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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time

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 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.

At year end, the District had \$269 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

At June 30, 2005, the District's internal service fund had a balance of \$414,445. The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the District.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

4. DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District's carrying balance as June 30, 2005 was \$2,424,890. At year end, \$1,990,260 of the District's bank balance of \$2,490,260 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. \$500,000 of the bank balance was covered by federal depository insurance.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Carrying and Fair Value</u>	<u>Investment Maturities Less than 1 Year</u>	<u>% of Total Portfolio</u>
Repurchase Agreements	\$2,533,730	\$2,533,730	60.45%
Liquid Management	786,778	786,778	18.77%
Money Market	10,174	10,174	.23%
U.S. Treasuries	650,200	650,200	15.52%
STAR Ohio	210,853	210,853	5.03%
Total Investments	<u>\$4,191,735</u>	<u>\$4,191,735</u>	<u>100.00%</u>

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

4. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk

STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

The District places no limit on the amount it may invest in any one issuer.

5. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2005 represent the collection calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

5. PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$216,032,610	80%	\$234,057,030	81%
Public Utility Personal	9,825,290	3%	9,350,630	3%
Tangible Personal Property	45,175,540	17%	45,656,676	16%
Total	<u>\$271,033,440</u>	<u>100%</u>	<u>\$289,064,336</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$49.53		\$48.83	

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

6. RISK MANAGEMENT

A. Public Liability

The District is exposed to various risks related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles.

Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Health Care Benefits

The District has established a Self-Insurance Fund in the Internal Service Fund Type to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$75,000 per claim per employee. The District purchases commercial insurance for claims in excess of coverage provided by this fund and for other risks of loss including annual aggregate stop losses coverage for annual claims paid. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

C. Workers' Compensation

The District participates in the Sheakley Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of the Sheakley Group provides administrative, cost control, and actuarial services to the Plan.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

6. RISK MANAGEMENT (continued)

D. Self Insurance

The District is also self-insured for employee health care benefits. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from interfund rates that are charged based on claims approved by the claims administrator. A comparison of Self Insurance Fund cash balance and estimated liability as of June 30 follows:

	<u>2005</u>	<u>2004</u>
Cash	\$414,445	\$585,442
Estimated Liabilities	\$448,769	\$396,902

Estimated liabilities are based on a calculation of fiscal year paid claims multiplied times a computation factor.

7. DEFINED BENEFIT PENSION PLAN

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State Teachers Retirement System, 275 E. Broad Street, Columbus, OH 43215-3371.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

7. DEFINED BENEFIT PENSION PLAN (continued)

New members have a choice of three retirement plans - a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP 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 CP offers features of both the DCP and the DBP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004 (the latest information available), plan members were required to contribute 10 percent of their annual covered salaries and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,624,238, \$1,405,727, and \$1,312,194 respectively; 100 percent has been contributed for fiscal year 2005, 2004 and 2003.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

7. DEFINED BENEFIT PENSION PLAN (continued)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 9.09 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 District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$279,986, \$248,554, and \$203,832, respectively.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

8. POST-EMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004 (the latest information available). For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$24,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

8. POST-EMPLOYMENT BENEFITS

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

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

9. DEBT OBLIGATIONS

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as disbursements in the Debt Service Fund.

The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt facilities tax levies.

A. The following is a description of the District's bonds outstanding as of June 30, 2005:

1. 1993 Advanced Refunding Bond Issue \$4,923,935

In December 1993, the District issued \$4,923,935 bonds for the purpose of advance refunding bonds titled "Bellefontaine City School District, Logan County, Ohio General Obligation Bonds," dated March 1, 1990, in the original principal amount of \$5,300,000, issued for the purpose of renovating the middle school, furnishing and equipping the same and improving the site thereof, and removing asbestos at various buildings. The bonds were issued for an eighteen-year period with final maturity at December 1, 2011. The bond issue consisted of \$4,000,000 of Current Interest Serial Bonds with interest rates ranging from 2.65 to 4.40 percent and \$923,935 of Capital Appreciation Serial Bonds with stated interest rates ranging from 10.3 to 10.4 percent (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 5.1 percent to 5.6 percent. The bonds will be retired from the Debt Service Fund.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

9. DEBT OBLIGATIONS (continued)

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning June 1, 1994 until maturity or earlier redemption.

The Capital Appreciation Bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The Capital Appreciation Bonds will mature in fiscal years 2005 to 2012. The maturity amount of the bonds is \$3,900,000.

<u>Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 07/01/04</u>	<u>Retired In 2005</u>	<u>Bonds Outstanding 06/30/05</u>
Capital Appreciation Bond	11/93	12/04 – 12/11	\$923,935	\$160,049	\$763,886

2. 1999 School Facilities Construction and Improvement Bonds

On June 15, 1999, the District issued \$9,070,000 in voted general obligation bonds for additions and renovations to the High School. The bond issue consists of \$5,215,000 in serial bonds and \$3,855,000 in term bonds. The serial bonds have interest rates from 3.75 to 5.75 percent and yield rates from 3.75 to 5.3 percent. The serial bonds mature each year beginning in 2000 and ending 2019. The term bonds have a 5.5 percent interest rate with final maturity on December 1, 2026. Bonds maturing after December 1, 2009 are subject to redemption at the option of the District at the redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the date of redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2009 through November 30, 2010	101%
December 1, 2010 and thereafter	100%

The term bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

9. DEBT OBLIGATIONS (continued)

Year	Principal Amount to be Redeemed
2014	\$335,000
2015	350,000
2016	370,000
2017	390,000
2018	415,000

The remaining principal amount of such Bonds (435,000) will mature at stated maturity on December 1, 2019.

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2019	\$460,000
2020	485,000
2021	510,000
2022	535,000
2023	560,000
2024	590,000

The remaining principal amount of such bonds (\$620,000) will mature at stated maturity on December 1, 2026.

On April 1, 2005, the District issued \$7,475,000 in voted general obligation bonds to provide resources to purchase U.S. Government securities that were placed, along with the premiums received associated with the sale of the bonds in an escrow fund for the purpose of generating resources for future debt service payments of \$7,475,000 of the 1999 School Improvement Bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed. This advance refunding was undertaken to reduce total debt service payments over the next fourteen years by \$388,333 and resulted in an economic gain of \$373,427.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

9. DEBT OBLIGATIONS (continued)

<u>Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 07/01/04</u>	<u>Retired In 2005</u>	<u>Refunded In 2005</u>	<u>Bonds Outstanding 06/30/05</u>
Facilities	06/99	12/26	\$8,740,000	\$ 160,000	\$7,475,000	\$1,105,000

3. 2005 General Obligation Advance Refunding Bonds

In April 2005, the District issued \$7,475,000 in voted general obligation bonds for the purpose of refunding a portion of the 1999 School Improvement Bonds originally issued in the aggregate principal amount of \$9,070,000 for the purpose of additions and renovations to the High School. The refunding bond issue consists of \$3,760,000 in serial bonds and \$3,715,000 in term bonds. The serial bonds have interest rates at 5.0 percent and yield rates from 2.45 to 4.22 percent. \$130,000 of the serial bonds matures in 2005, with the remaining serial bonds maturing each year beginning in 2010 and ending 2019. Term bonds in the amount of \$1,950,000 have a 5.5 percent interest rate with final maturity on December 1, 2023. Term bonds in the amount of \$1,765,000 have a 5.5 percent interest rate with final maturity on December 1, 2026. Bonds maturing on each December 1, 2016, 2017, 2018 and 2019 are subject to redemption at the option of the District, in whole or in part, in such order as the District shall determine, on any date on or after December 1, 2015, at the redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date of redemption.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$450,000
2021	470,000
2022	500,000

The remaining principal amount of such Bonds (\$530,000) will mature at stated maturity on December 1, 2023.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

9. DEBT OBLIGATIONS (continued)

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2024	\$555,000
2025	590,000

The remaining principal amount of such bonds (\$620,000) will mature at stated maturity on December 1, 2026.

Purpose	Issue Date	Maturity Date	Bonds Outstanding 07/01/04	Issues In 2005	Retired In 2005	Bonds Outstanding 06/30/05
Refunding	04/05	12/26	\$ 0	\$7,475,000	\$ 0	\$7,475,000

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year(s) Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2006	\$ 464,618	\$ 782,916	\$ 1,247,534
2007	332,007	788,208	1,120,215
2008	341,870	783,245	1,125,115
2009	346,361	782,534	1,128,895
2010	347,882	784,068	1,131,950
2011-2015	1,691,148	2,548,602	4,239,750
2016-2020	2,105,000	1,308,750	3,413,750
2021-2025	2,505,000	692,038	3,197,038
2026-2027	1,210,000	67,375	1,277,375
Total	\$9,343,886	\$8,537,736	\$17,881,622

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

9. DEBT OBLIGATIONS (continued)

C. The following is a description of the District's long-term note transactions for the year ended June 30, 2005:

<u>Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Notes Outstanding 07/01/04</u>	<u>Issues In 2005</u>	<u>Retired In 2005</u>	<u>Notes Outstanding 06/30/05</u>
Energy Conservation	12/95	12/05	\$175,000	\$0	\$85,000	\$90,000

D. The following is a summary of the District's future annual debt service requirements to maturity for House Bill 264 energy conservation notes:

<u>Year(s) Ending June 30</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2006	\$90,000	\$2,205	\$92,205

10. SET ASIDE REQUIREMENTS

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

Senate Bill 345 eliminated the requirement to set aside additional reserves for budget stabilization. The reserve for budget stabilization balance represents the set aside required for Bureau of Workers' Compensation refunds.

For the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance as of June 30, 2004	\$271,998	(\$212,986)	\$80,693
Required Set-Aside	411,909	411,909	0
Qualifying Expenditures	(407,996)	(848,182)	0
Excess Expenditures Available for Carry-over to Subsequent Year	\$275,911	(\$649,259)	\$80,693

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

11. JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (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. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

C. Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

12. JOINT VENTURE

The Joint Recreation District (JRD) was established June 25, 1984. The JRD is operated by a seven member Board consisting of three representatives from both the Bellefontaine City School District and the City of Bellefontaine.

The remaining member is selected by the six appointed Board members. The JRD operates the Blue Jacket Park which is adjacent to the Bellefontaine City School District and for which the District owns the land. The operating budget for the JRD is passed by the City of Bellefontaine and is submitted to the JRD Board. To obtain financial information write to the City of Bellefontaine, Tim Decker, who serves as Auditor, at 135 North Detroit Street, Bellefontaine, Ohio 43311.

13. INSURANCE POOLS

The Sheakley Group Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Sheakley Group Workers' Compensation Group Rating Plan (the Plan) was established through the Sheakley Group as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the Plan.

14. STATE SCHOOL FUNDING DECISION

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

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

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

15. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

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

16. INTERFUND BALANCES

Interfund Transfers

Transfers between funds during the year ended June 30, 2005 were as follows:

	Interfund Transfers In	Interfund Transfers Out
General	\$ 0	\$ 91,493
Bond Retirement	91,493	0
Total	\$ 91,493	\$ 91,493

17. ACCOUNTABILITY

At June 30, 2005, the Local Grants, Summer Intervention, Title III and Title II-A special revenue funds had deficit fund balance, in the amount of \$30,575, \$3,135, \$5,824, and \$79,286 respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit fund balances were created at June 30, 2005 as a result of late disbursements from the grant authorities.

We're Ready For Your Future

November 14, 2005

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District as of and for the year ended June 30, 2005, which collectively comprises Bellefontaine City School District's basic financial statements, and have issued our report thereon dated November 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bellefontaine City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bellefontaine City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001 and 2005-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Bellefontaine City School District in a separate letter dated November 14, 2005.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

We're Ready For Your Future

November 14, 2005

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

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

Compliance

We have audited the compliance of Bellefontaine City School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Bellefontaine City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bellefontaine City School District's management. Our responsibility is to express an opinion on Bellefontaine City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bellefontaine City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bellefontaine City School District's compliance with those requirements.

In our opinion, Bellefontaine City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District as of and for the year ended June 30, 2005, which collectively comprises Bellefontaine City School District's basic financial statements, and have issued our report thereon dated November 14, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Schedule of Federal Receipts and Disbursements
For Fiscal Year Ended June 30, 2005

Federal / Pass Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Federal Receipts	Federal Disbursements
U.S. DEPARTMENT OF EDUCATION				
<i>(Passed through Ohio Department of Education)</i>				
Title 1 Grants to Local Education '03-'04	84.010	C1S1-04	\$ 113,207	\$ 129,367
Title 1 Grants to Local Education '04-'05		C1S1-05	501,818	471,764
			<u>615,025</u>	<u>601,131</u>
Special Education Grants to State '03-'04	84.027	6BSF-04	180,983	158,036
Special Education Grants to State '04-'05		6BSF-05	451,057	421,398
			<u>632,040</u>	<u>579,434</u>
Safe & Drug Free Schools and '03-'04	84.186	DRS1-04	3,180	2,132
Safe & Drug Free Schools and '04-'05		DRS1-05	16,830	12,624
			<u>20,010</u>	<u>14,756</u>
Goals 2000 State and Local Education	84.276	G2S1-02	0	2,707
Eisenhower Professional Development	84.281	MSS1-03	0	348
Innovative Educational Program '03-'04	84.298	C2S1-04	20,574	21,574
Innovative Educational Program '04-'05		C2S1-05	15,539	16,749
			<u>36,113</u>	<u>38,323</u>
Technology Literacy Challenge	84.318	TJS1-04	0	3,728
Technology Literacy Challenge		TJS1-05	17,573	17,160
			<u>17,573</u>	<u>20,888</u>
Advanced Placement Program	84.330	AVTF-05	100	100
	84.355		0	421
Improving Teacher Quality State '03-'04	84.367	TRS1-04	4,335	4,490
Improving Teacher Quality State '04-'05		TRS1-05	35,665	114,950
			<u>40,000</u>	<u>119,440</u>
Total Department of Education			<u>1,360,861</u>	<u>1,377,548</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)</i>				
Medical Assistance Program	93.778		13,426	13,426
Medical Assistance Program			114,485	114,485
			<u>127,911</u>	<u>127,911</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
School Breakfast Program	10.553	05PU-04	16,988	16,988
		05PU-05	56,340	56,340
		05RE-04	2,250	2,250
Total School Breakfast Program			<u>75,578</u>	<u>75,578</u>
National School Lunch Program	10.555	LLP1-04	63	63
		LLP1-05	1,228	1,228
		LLP4-04	82,855	82,855
		LLP4-05	254,229	254,229
Total National School Lunch Program			<u>338,375</u>	<u>338,375</u>
Total Department of Agriculture-Nutrition Cluster			<u>413,953</u>	<u>413,953</u>
Total Federal Financial Assistance			<u>\$ 1,902,725</u>	<u>\$ 1,919,412</u>

BELLEFONTAINE CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
June 30, 2005

1. Summary of Auditor's Results

(d) (1) (I)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (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 Cluster, #84.027 Medical Assistance Program #93.778 Nutrition Cluster #10.553 & #10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding 2005-001 Ohio Administrative Code Section 117-2-03 (repeat of 2004-001)

Ohio Admin. Code Section 117-2-03 states the School District is to prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year 2005, the District reported its financial statements on the cash basis of accounting with a GASB 34 presentation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, fund liabilities, equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

Finding 2005-002 Ohio Revised Code Section 5705.10 (Repeat of 2004-002)

Ohio Revised Code states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund. The District had negative cash fund balances throughout the year, with the following negative cash fund balances as of June 30, 2005:

Other Grants Fund	\$ (30,575)
Summer Intervention	(3,435)
Title III	(5,824)
Title II-A Improving Teacher Quality	(79,286)

The District should implement monitoring procedures to help identify those funds that may develop negative fund balances. Money should then be transferred or advanced into those funds to help prevent negative fund balances.

3. Findings and Questioned Costs for Federal Awards

None were noted

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>	
2004-001	ORC Sec. 117.38 & OAC Sec. 117-2-03 (B) - Reporting on the cash-basis rather than the GAAP basis	No	Repeated as Finding 2005-001	
2004-002	ORC Sec. 5705.10 - Negative cash fund balances	No	Repeated as Finding 2005-002	
2004-003	ORC Sec. 5705.39 – Available resources less than appropriations	Yes		
2004-004	Monitoring budget versus actual information	Yes		
2004-005	34CFR 80.20(b)(7), 34CFR 80.21(b), and 31CFR205-Cash management for a Federal Agency award	Yes		



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2006**