

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2007***

NANCY BEIER, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Bellevue City School District
125 North Street
Bellevue, Ohio 44811

We have reviewed the *Independent Auditor's Report* of the Bellevue City School District, Huron County, prepared by Julian and Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Bellevue City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 9, 2008

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**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Bellevue City School District
120 North Street
P.O. Box 8003
Bellevue, Ohio 44811

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Bellevue City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bellevue City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of Bellevue City School District, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2007, on our consideration of Bellevue City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Bellevue City School District
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bellevue City School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Bellevue City School District. The schedule of receipts and expenditures of federal awards 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 10, 2007

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The management's discussion and analysis of the Bellevue City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$626,920 which represents a 12.94% increase from 2006.
- General revenues accounted for \$18,237,499 in revenue or 84.81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,266,126 or 15.19% of total revenues of \$21,503,625.
- The District had \$20,876,705 in expenses related to governmental activities; only \$3,266,126 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,237,499 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$18,818,672 in revenues and other financing sources and \$18,228,957 in expenditures and other financing uses. During fiscal 2007, the general fund's fund balance, increased \$597,984 from \$905,403 to \$1,503,387.

Using the Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-45 of this report.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<u>Assets</u>		
Current and other assets	\$ 11,372,606	\$ 10,426,208
Capital assets, net	<u>4,941,758</u>	<u>4,795,817</u>
Total assets	<u>16,314,364</u>	<u>15,222,025</u>
<u>Liabilities</u>		
Current liabilities	8,699,486	8,336,415
Long-term liabilities	<u>2,142,722</u>	<u>2,040,374</u>
Total liabilities	<u>10,842,208</u>	<u>10,376,789</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,529,995	4,431,390
Restricted	338,650	227,366
Unrestricted	<u>603,511</u>	<u>186,480</u>
Total net assets	<u>\$ 5,472,156</u>	<u>\$ 4,845,236</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$5,472,156.

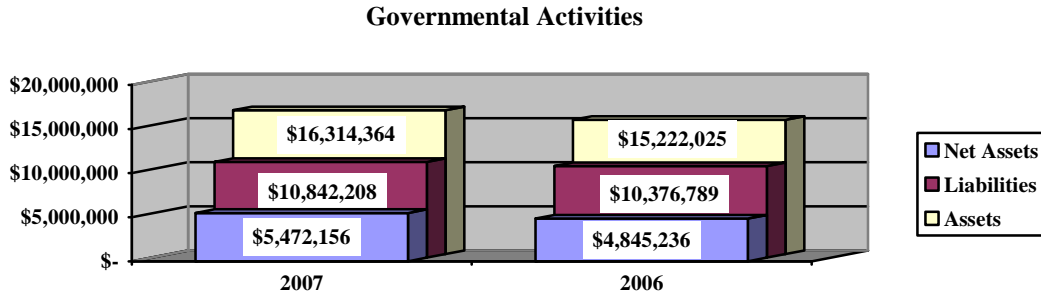
At year-end, capital assets represented 30.29% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$4,529,995. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$338,650, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$603,511 may be used to meet the District's ongoing obligations to the students and creditors.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities assets, liabilities, and net assets for fiscal year 2007 and 2006.



The table below shows the change in net assets for fiscal year 2007 and 2006. Certain amounts in 2006 have been reclassified to conform with current year presentation.

	Change in Net Assets	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 962,530	\$ 942,722
Operating grants and contributions	2,265,899	1,413,439
Capital grants and contributions	37,697	-
General revenues:		
Property taxes	7,503,050	7,386,675
School district income taxes	1,262,598	1,138,008
Grants and entitlements	8,824,360	8,637,916
Investment earnings	205,688	125,264
Payment in lieu of taxes	155,836	104,691
Other	<u>285,967</u>	<u>357,236</u>
Total revenues	\$ 21,503,625	\$ 20,105,951

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Change in Net Assets

	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,952,867	\$ 7,774,445
Special	2,780,800	2,588,911
Vocational	537,696	534,717
Adult	7,581	6,962
Other	511,989	374,482
Support services:		
Pupil	1,230,324	1,173,831
Instructional staff	978,928	1,024,513
Board of education	14,694	14,578
Administration	1,591,898	1,532,167
Fiscal	508,502	459,992
Business	14,494	11,422
Operations and maintenance	2,024,303	1,918,692
Pupil transportation	1,071,316	1,070,268
Central	44,549	50,723
Operations of non-instructional services	52,181	172,507
Food service operations	741,494	757,530
Extracurricular activities	655,251	645,395
Intergovernmental pass through	143,150	-
Interest and fiscal charges	<u>14,688</u>	<u>35,837</u>
Total expenses	<u>20,876,705</u>	<u>20,146,972</u>
Change in net assets	626,920	(41,021)
Net assets at beginning of year	<u>4,845,236</u>	<u>4,886,257</u>
Net assets at end of year	<u>\$ 5,472,156</u>	<u>\$ 4,845,236</u>

Governmental Activities

Net assets of the District's governmental activities increased \$626,920. Total governmental expenses of \$20,876,705 were offset by program revenues of \$3,266,126 and general revenues of \$18,237,499. Program revenues supported 15.65% of the total governmental expenses.

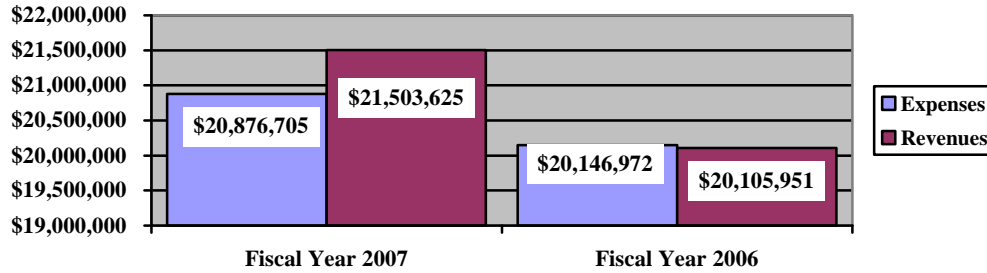
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 81.80% of total governmental revenue. Real estate property is reappraised every six years.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

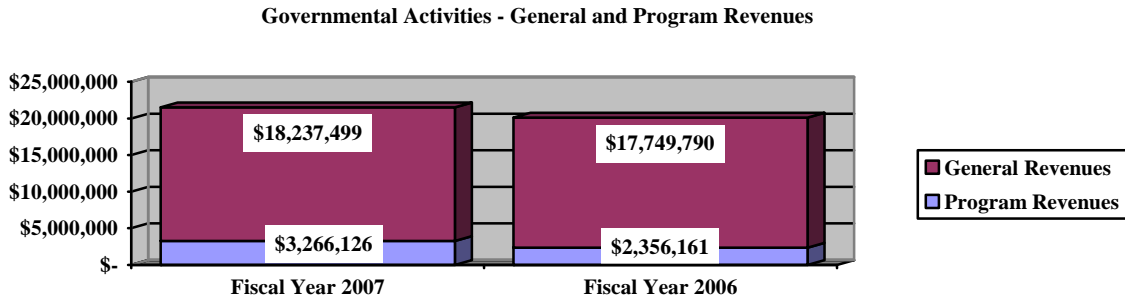
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses				
Instruction:				
Regular	\$ 7,952,867	\$ 7,494,337	\$ 7,774,445	\$ 7,236,589
Special	2,780,800	1,632,439	2,588,911	2,162,908
Vocational	537,696	453,867	534,717	534,717
Adult	7,581	7,581	6,962	6,962
Other	511,989	511,989	374,482	374,482
Support services:				
Pupil	1,230,324	1,064,583	1,173,831	1,011,408
Instructional staff	978,928	710,136	1,024,513	790,673
Board of education	14,694	14,694	14,578	14,578
Administration	1,591,898	1,588,304	1,532,167	1,529,587
Fiscal	508,502	508,502	459,992	452,378
Business	14,494	14,494	11,422	11,422
Operations and maintenance	2,024,303	2,022,733	1,918,692	1,918,692
Pupil transportation	1,071,316	1,000,838	1,070,268	1,070,268
Central	44,549	37,152	50,723	50,723
Operations of non-instructional services	52,181	44,680	172,507	29,929
Food service operations	741,494	62,161	757,530	(1,415)
Extracurricular activities	655,251	427,616	645,395	456,382
Intergovernmental pass through	143,150	(215)	-	-
Interest and fiscal charges	14,688	14,688	35,837	35,837
Total expenses	<u>\$ 20,876,705</u>	<u>\$ 17,610,579</u>	<u>\$ 20,146,972</u>	<u>\$ 17,686,120</u>

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The dependence upon tax and other general revenues for governmental activities is apparent, 85.66% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.36%. The District's taxpayers, and state foundation, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,711,266, which is higher than last year's total of \$1,125,153. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Fund Balance</u> <u>June 30, 2006</u>	<u>(Decrease)</u>
General	\$ 1,503,387	\$ 905,403	\$ 597,984
Other Governmental	<u>207,879</u>	<u>219,750</u>	<u>(11,871)</u>
Total	<u>\$ 1,711,266</u>	<u>\$ 1,125,153</u>	<u>\$ 586,113</u>

General Fund

The District's general fund balance increased \$597,984. The increase in fund balance can be attributed to increasing revenues, primarily earnings on investments, increasing at a rate faster than increasing expenditures. The table that follows assists in illustrating the financial activities of the general fund.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The table below shows the General Funds revenues and expenditures for fiscal year 2007 and 2006.

	2007 <u>Amount</u>	2006 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,261,988	\$ 7,972,144	3.64 %
Tuition	190,910	194,859	(2.03) %
Earnings on investments	205,197	124,547	64.75 %
Intergovernmental	9,575,120	8,577,969	11.62 %
Other revenues	<u>456,773</u>	<u>453,735</u>	0.67 %
Total	<u>\$ 18,689,988</u>	<u>\$ 17,323,254</u>	7.89 %
<u>Expenditures</u>			
Instruction	\$ 10,854,735	\$ 10,262,805	5.77 %
Support services	6,712,537	6,689,867	0.34 %
Operation of non-instructional services	24,655	20,545	20.00 %
Extracurricular activities	439,544	404,071	8.78 %
Facilities acquisition and construction	14,326	33,906	(57.75) %
Capital outlay	78,842	42,743	84.46 %
Debt service	<u>98,646</u>	<u>70,981</u>	38.98 %
Total	<u>\$ 18,223,285</u>	<u>\$ 17,524,918</u>	3.98 %

The increase in earnings on investments is due to higher interest rates. The increase in debt service expenditures is due to the District entering into new capital lease for copiers during the current fiscal year. The increase in capital outlay expenditures is due to the purchase of busses, technology equipment, security entrance equipment, building improvements consisting of roof replacement, masonry, seal and concrete window well work, and the installation of backflow prevention equipment.

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 2007, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$17,897,692, which were left the same in the original budgeted revenues estimate. Actual revenues and other financing sources for fiscal 2007 were \$18,772,263. This represents an \$874,571 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$18,665,644 were increased to \$18,917,202 in the final appropriations. The actual budget basis expenditures for fiscal year 2007 totaled \$18,901,628, which was \$15,574 less than the final budget appropriations.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$4,941,758 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal 2007 balances compared to 2006:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 862,079	\$ 862,079
Land improvements	223,005	219,810
Building and improvements	2,427,524	2,456,723
Furniture and equipment	507,107	560,863
Vehicles	<u>922,043</u>	<u>696,342</u>
Total	<u>\$ 4,941,758</u>	<u>\$ 4,795,817</u>

Total additions to capital assets for 2007 were \$604,247. The overall increase in capital assets of \$145,941 is primarily due to capital outlays of \$604,247 exceeding depreciation expense of \$399,754 and disposals of \$58,552 (net of accumulated depreciation) for fiscal 2007.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2007, the District had \$411,763 in capital lease obligations outstanding. Of this total, \$122,338 is due within one year and \$289,425 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal 2007 compared to 2006.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>
Energy conservation notes	\$ -	\$ 187,000
Tax anticipation notes	-	69,399
Capital lease obligations	<u>411,763</u>	<u>177,427</u>
Total	<u>\$ 411,763</u>	<u>\$ 433,826</u>

At June 30, 2007, the District's overall legal debt margin was \$21,132,759 with an unvoted debt margin of \$234,808.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

See Note 12 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The District strives to maintain the highest standards of service to our students, parents and community. This has been accomplished despite the financial challenges the local, state and national economy place on it. The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students it serves and to minimize the levy millage amounts needed periodically from the community's citizens. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a positive ending cash balance.

The District closely monitors its revenues and expenditures in accordance with its financial forecast. A half percent school district income tax was passed February 2001 with hopes of not needing any additional operating levies for many years. Economic events do affect the District. Unfortunately, the income tax revenue collections have fallen below the forecasted amounts due to the downturn in the economy. This downturn also affects the personal tangible tax collection. These items, in addition to recent changes in state funding formulas, the loss of tax revenue from business inventories and (loss of personal property tax reimbursements from the state) contribute to the minimal growth anticipated in our revenue. The District anticipates a decline in enrollment over the next 5 years. The Board of Education and Administration continue to spend within our budgeted expenditure levels and keep a very close watch on revenue. With the District's revenue growth not keeping up with the increase in expenditures, the District will most likely ask the voters to approve additional millage in calendar year 2009.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Nancy Beier, Treasurer, Bellevue City School District, 125 North Street, Bellevue, Ohio 44811.

**BASIC
FINANCIAL STATEMENTS**

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,688,790
Receivables:	
Taxes	8,266,202
Accounts	125,589
Intergovernmental	168,036
Accrued interest	9,151
Prepayments.	11,892
Materials and supplies inventory	102,946
Capital assets:	
Land	862,079
Depreciable capital assets, net	4,079,679
Capital assets, net.	<u>4,941,758</u>
 Total assets.	 <u>16,314,364</u>
Liabilities:	
Accounts payable.	116,149
Contracts payable.	22,320
Accrued wages and benefits	1,592,515
Pension obligation payable.	471,748
Intergovernmental payable	93,125
Unearned revenue	6,403,629
Long-term liabilities:	
Due within one year.	472,697
Due in more than one year.	1,670,025
Total liabilities	<u>10,842,208</u>
Net Assets:	
Invested in capital assets, net of related debt.	4,529,995
Restricted for:	
Capital projects	222,901
Locally funded programs	7,753
State funded programs	22,336
Federally funded programs	4,563
Student activities	81,097
Unrestricted.	<u>603,511</u>
Total net assets	<u>\$ 5,472,156</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 7,952,867	\$ 322,584	\$ 119,382	\$ 16,564	\$ (7,494,337)
Special	2,780,800	3,348	1,145,013	-	(1,632,439)
Vocational	537,696	1,567	82,262	-	(453,867)
Adult	7,581	-	-	-	(7,581)
Other	511,989	-	-	-	(511,989)
Support services:					
Pupil	1,230,324	-	165,741	-	(1,064,583)
Instructional staff	978,928	-	268,792	-	(710,136)
Board of education	14,694	-	-	-	(14,694)
Administration	1,591,898	-	3,594	-	(1,588,304)
Fiscal	508,502	-	-	-	(508,502)
Business	14,494	-	-	-	(14,494)
Operations and maintenance	2,024,303	1,570	-	-	(2,022,733)
Pupil transportation	1,071,316	-	49,345	21,133	(1,000,838)
Central	44,549	-	7,397	-	(37,152)
Operation of non-instructional services	52,181	-	7,501	-	(44,680)
Food service operations	741,494	411,528	267,805	-	(62,161)
Extracurricular activities	655,251	221,933	5,702	-	(427,616)
Intergovernmental pass through	143,150	-	143,365	-	215
Interest and fiscal charges	14,688	-	-	-	(14,688)
Total governmental activities	\$ 20,876,705	\$ 962,530	\$ 2,265,899	\$ 37,697	(17,610,579)
General Revenues:					
Property taxes levied for:					
					6,998,044
					505,006
					1,262,598
					8,824,360
					205,688
					155,836
					285,967
					<u>18,237,499</u>
					626,920
					<u>4,845,236</u>
					<u>\$ 5,472,156</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,125,749	\$ 563,041	\$ 2,688,790
Receivables:			
Taxes	7,715,997	550,205	8,266,202
Accounts	125,011	578	125,589
Intergovernmental	-	168,036	168,036
Accrued interest	9,151	-	9,151
Interfund loan receivable	176,480	-	176,480
Prepayments	11,126	766	11,892
Materials and supplies inventory	71,327	31,619	102,946
Total assets	<u>\$ 10,234,841</u>	<u>\$ 1,314,245</u>	<u>\$ 11,549,086</u>
Liabilities:			
Accounts payable	\$ 87,558	\$ 28,591	\$ 116,149
Contracts payable	-	22,320	22,320
Accrued wages and benefits	1,419,512	173,003	1,592,515
Compensated absences payable	337,850	24,554	362,404
Pension obligation payable	412,091	59,657	471,748
Interfund loan payable	-	176,480	176,480
Intergovernmental payable	86,645	6,480	93,125
Deferred revenue	435,698	163,752	599,450
Unearned revenue	5,952,100	451,529	6,403,629
Total liabilities	<u>8,731,454</u>	<u>1,106,366</u>	<u>9,837,820</u>
Fund Balances:			
Reserved for encumbrances	400,135	95,907	496,042
Reserved for materials and supplies inventory	71,327	31,619	102,946
Reserved for property tax unavailable for appropriation	871,304	66,097	937,401
Reserved for prepayments	11,126	766	11,892
Unreserved, undesignated, (deficit) reported in:			
General fund	149,495	-	149,495
Special revenue funds	-	(86,291)	(86,291)
Capital projects funds	-	99,781	99,781
Total fund balances	<u>1,503,387</u>	<u>207,879</u>	<u>1,711,266</u>
Total liabilities and fund balances	<u>\$ 10,234,841</u>	<u>\$ 1,314,245</u>	<u>\$ 11,549,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$ 1,711,266
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,941,758
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 468,277	
Intergovernmental revenue	<u>131,173</u>	
Total		599,450
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligation	(411,763)	
Compensated absences	<u>(1,368,555)</u>	
Total		<u>(1,780,318)</u>
Net assets of governmental activities		<u><u>\$ 5,472,156</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 8,261,988	\$ 504,798	\$ 8,766,786
Tuition.	190,910	-	190,910
Charges for services.	-	411,528	411,528
Earnings on investments.	205,197	1,092	206,289
Extracurricular.	24,616	221,933	246,549
Classroom materials and fees	75,115	36,858	111,973
Other local revenues.	357,042	99,778	456,820
Intergovernmental - State	9,574,023	308,966	9,882,989
Intergovernmental - Federal	1,097	1,128,165	1,129,262
Total revenue	<u>18,689,988</u>	<u>2,713,118</u>	<u>21,403,106</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,526,391	206,418	7,732,809
Special.	2,285,339	448,434	2,733,773
Vocational.	523,435	-	523,435
Adult	7,581	-	7,581
Other	511,989	-	511,989
Support services:			
Pupil.	1,067,018	148,480	1,215,498
Instructional staff	690,410	309,173	999,583
Board of education	14,694	-	14,694
Administration.	1,560,978	9,323	1,570,301
Fiscal	491,625	11,128	502,753
Business	14,494	-	14,494
Operations and maintenance.	1,868,586	37,229	1,905,815
Pupil transportation	951,351	27,873	979,224
Central.	53,381	7,394	60,775
Operation of non-instructional services	24,655	6,735	31,390
Food service operations	-	725,550	725,550
Extracurricular activities.	439,544	223,324	662,868
Intergovernmental pass through	-	143,150	143,150
Facilities acquisition and construction	14,326	174,489	188,815
Capital outlay	78,842	264,480	343,322
Debt service:			
Principal retirement	88,008	257,820	345,828
Interest and fiscal charges	10,638	4,815	15,453
Total expenditures	<u>18,223,285</u>	<u>3,005,815</u>	<u>21,229,100</u>
Excess of revenues over (under) expenditures.	<u>466,703</u>	<u>(292,697)</u>	<u>174,006</u>
Other financing sources (uses):			
Capital lease transactions.	128,684	264,480	393,164
Transfers in	-	197,487	197,487
Transfers (out).	(5,672)	(191,815)	(197,487)
Total other financing sources (uses)	<u>123,012</u>	<u>270,152</u>	<u>393,164</u>
Net change in fund balances	589,715	(22,545)	567,170
Fund balances at beginning of year.	905,403	219,750	1,125,153
Increase in reserve for inventory	8,269	10,674	18,943
Fund balances at end of year.	<u>\$ 1,503,387</u>	<u>\$ 207,879</u>	<u>\$ 1,711,266</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds \$ 567,170

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

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

Capital asset additions	\$	604,247	
Current year depreciation		<u>(399,754)</u>	
Total			204,493

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (58,552)

Proceeds of capital lease transactions are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (393,164)

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

Taxes		(1,138)	
Intergovernmental		<u>101,657</u>	
Total			100,519

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 18,943

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 345,828

In the statement of activities, interest is accrued on notes outstanding, whereas in governmental funds, an interest expenditure is reported when due. 765

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (159,082)

Change in net assets of governmental activities \$ 626,920

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 7,967,246	\$ 7,967,246	\$ 8,301,987	\$ 334,741
Tuition	230,000	230,000	191,813	(38,187)
Earnings on investments	120,000	120,000	187,743	67,743
Extracurricular	23,000	23,000	24,616	1,616
Classroom materials and fees	69,722	69,722	75,283	5,561
Other local revenues	299,745	299,745	355,245	55,500
Intergovernmental - State	9,144,692	9,144,692	9,574,023	429,331
Intergovernmental - Federal	1,097	1,097	1,097	-
Total revenue	<u>17,855,502</u>	<u>17,855,502</u>	<u>18,711,807</u>	<u>856,305</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,645,737	7,688,534	7,742,402	(53,868)
Special	2,331,404	2,301,729	2,360,879	(59,150)
Vocational	520,505	521,237	527,086	(5,849)
Adult	7,476	7,429	7,570	(141)
Other	505,625	526,645	512,018	14,627
Support services:				
Pupil	1,107,023	1,125,670	1,121,018	4,652
Instructional staff	725,229	764,744	734,398	30,346
Board of education	9,990	19,964	10,117	9,847
Administration	1,551,893	1,582,993	1,571,513	11,480
Fiscal	504,538	496,955	510,916	(13,961)
Business	13,931	12,809	14,108	(1,299)
Operations and maintenance	1,941,998	1,975,425	1,966,550	8,875
Pupil transportation	978,327	1,043,184	990,695	52,489
Central	54,028	58,924	54,711	4,213
Operation of non-instructional	59,141	59,909	59,887	22
Extracurricular activities	427,205	443,320	432,606	10,714
Facilities acquisition and construction	31,281	31,506	31,677	(171)
Total expenditures	<u>18,415,331</u>	<u>18,660,977</u>	<u>18,648,151</u>	<u>12,826</u>
Excess of revenues over (under) expenditures	<u>(559,829)</u>	<u>(805,475)</u>	<u>63,656</u>	<u>869,131</u>
Other financing sources (uses):				
Refund of prior year expenditure	1,000	1,000	3,431	2,431
Refund of prior year receipts	(99)	(100)	(100)	-
Transfers (out)	(75,937)	(79,125)	(76,897)	2,228
Advances in	40,190	40,190	40,190	-
Advances (out)	(174,277)	(177,000)	(176,480)	520
Sale of capital assets	1,000	1,000	16,835	15,835
Total other financing sources (uses)	<u>(208,123)</u>	<u>(214,035)</u>	<u>(193,021)</u>	<u>21,014</u>
Net change in fund balance	(767,952)	(1,019,510)	(129,365)	890,145
Fund balance at beginning of year	1,540,887	1,540,887	1,540,887	-
Prior year encumbrances appropriated	199,950	199,950	199,950	-
Fund balance at end of year	<u>\$ 972,885</u>	<u>\$ 721,327</u>	<u>\$ 1,611,472</u>	<u>\$ 890,145</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 120,939
Receivables:	
Accounts	870
Total assets.	\$ 121,809
Liabilities:	
Accounts payable.	\$ 4,945
Due to other governments.	1
Due to students	116,863
Total liabilities	\$ 121,809

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Bellevue City School District (the "District") operates under a locally-elected, five-member Board form of government and provides educational services as authorized or mandated by state and/or federal agencies. This Board controls the District's nine instructional/support facilities staffed by 99 non-certificated employees and 186 certificated teaching personnel to provide services to approximately 2,139 students and other community members.

The District was established in 1968 through the consolidation of existing land areas and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. 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.

The District serves an area of approximately 137 square miles. It is located in Huron County and includes all of the City of Bellevue, Ohio, and portions of surrounding townships.

The District is the 246th largest in the State of Ohio (among 876 public and community school districts) in terms of enrollment. It currently operates 5 elementary schools, 1 middle school, 1 comprehensive high school, 1 administration building and 1 bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service and student related activities of the District.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

RELATED ORGANIZATION

Bellevue Public Library

The District is not involved in budgeting or management of the Bellevue Public Library facilities, nor does it subsidize or finance the operation of the library. The selection of directors and budget approval is conducted merely to comply with state code requirements.

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the BACG are natural gas and insurance. The cost to the District is an administrative charge, assessed only if it participates. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms, which are staggered. Financial information can be obtained by contacting the Erie Co. Educational Service Center, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

PUBLIC ENTITY RISK POOL

Sheakley 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 Workers' Compensation Group Rating Plan (the "Plan") is a group purchasing pool. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

GOVERNMENTAL FUNDS

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activity.

C. Basis of Presentation and Measurement Focus

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

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

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

The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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

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

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District. The amounts reported in the budgetary statement reflect the amounts set forth in the first and final Amended Certificates issued for fiscal year 2007.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2007. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on governmental-wide financial statements.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

The District has invested funds in STAR Ohio during fiscal 2007. 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, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, public schools support fund, permanent improvement fund and building fund individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$205,197, which includes \$7,613 assigned from other District funds.

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

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

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. On the fund financial statements, inventories are accounted for using the purchase method. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

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

H. Capital Assets

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 70 years
Furniture and equipment	5 - 20 years
Vehicles	10 - 18 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

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

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax advance unavailable for appropriation and prepayments. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other government or imposed by enabling legislation. The District does not have any restricted assets as of June 30, 2007.

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2007, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Food Service	\$ 60,116
Management Information System	47
Entry Year Program	7,340
Ohio Reads	13
Title VI-B	82,553
Title I	17,222
Reducing Class Size	22,873

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At year-end, the District had \$605 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$1,103,834. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$1,132,784 of the District's bank balance of \$1,434,679 was exposed to custodial risk as discussed below, while \$301,895 was covered by Federal Deposit Insurance Corporation.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 1,705,290	\$ 1,705,290

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

Credit Risk: The District's investments in STAR Ohio were rated AAAm by Standard & Poor's.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,705,290	100.00

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 1,103,834
Investments	1,705,290
Cash on hand	<u>605</u>
Total	<u>\$ 2,809,729</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,688,790
Agency funds	<u>120,939</u>
Total	<u>\$ 2,809,729</u>

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 176,480

- B. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental Funds		
General Fund	\$ 5,672	
Nonmajor Governmental Funds	<u>191,815</u>	
Total	<u>\$197,487</u>	

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Funds were transferred out of the Permanent Improvement Fund and into the Debt Service Fund in order to pay debt related to capital projects.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, will be 6.25% for 2008 and zero for 2009. 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.

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

The District receives property taxes from Huron, Sandusky, Seneca and Erie Counties. Each County Auditor periodically advances to the District their portions of the taxes collected. Second-half real property tax payments collected by the County Auditors by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent. The amount available as an advance at June 30, 2007 was \$871,304 in the general fund and \$66,097 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2006 was \$992,703 in the general fund and \$73,975 in the permanent improvement fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 212,490,790	82.35	\$227,987,060	88.10
Public utility personal	13,070,090	5.06	12,467,090	4.82
Tangible personal property	<u>32,474,190</u>	<u>12.59</u>	<u>18,309,854</u>	<u>7.08</u>
Total	<u>\$ 258,035,070</u>	<u>100.00</u>	<u>\$258,764,004</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 42.70		\$ 42.70	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District has authorized, through voter approval, an annual .5% school district income tax levied on the income of individuals and estates. The tax is to be used for normal operating expenses of the District, and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2007, was \$1,262,598.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$ 8,266,202
Accounts	125,589
Intergovernmental	168,036
Accrued interest	<u>9,151</u>
Total	<u>\$ 8,568,978</u>

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

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 862,079	\$ -	\$ -	\$ 862,079
Total capital assets, not being depreciated	<u>862,079</u>	<u>-</u>	<u>-</u>	<u>862,079</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	740,400	24,160	-	764,560
Buildings and improvements	6,175,088	102,420	-	6,277,508
Furniture and equipment	2,822,655	157,785	(110,861)	2,869,579
Vehicles	1,494,257	319,882	(364,801)	1,449,338
Total capital assets, being depreciated	<u>11,232,400</u>	<u>604,247</u>	<u>(475,662)</u>	<u>11,360,985</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(520,590)	(20,965)	-	(541,555)
Buildings and improvements	(3,718,365)	(131,619)	-	(3,849,984)
Furniture and equipment	(2,261,792)	(159,820)	59,140	(2,362,472)
Vehicles	(797,915)	(87,350)	357,970	(527,295)
Total accumulated depreciation	<u>(7,298,662)</u>	<u>(399,754)</u>	<u>417,110</u>	<u>(7,281,306)</u>
Governmental activities capital assets, net	<u>\$ 4,795,817</u>	<u>\$ 204,493</u>	<u>\$ (58,552)</u>	<u>\$ 4,941,758</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 236,636
Special	6,538
Vocational	5,512
<u>Support Services:</u>	
Administration	3,207
Operations and maintenance	45,189
Pupil transportation	76,401
Extracurricular activities	17,269
Food service operations	<u>9,002</u>
Total depreciation expense	<u>\$ 399,754</u>

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of furniture and equipment and vehicles have been capitalized in the amount of \$581,636. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2007 was \$116,229, leaving a current book value of \$465,407. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2007 fiscal year totaled \$88,008 paid by the general fund, and \$70,820 paid by the permanent improvement fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2008	\$ 146,263
2009	136,941
2010	119,016
2011	35,951
2012	<u>28,160</u>
Total minimum lease payments	466,331
Less amount representing interest	<u>(54,568)</u>
Total	<u>\$ 411,763</u>

NOTE 11 - NONCANCELLABLE OPERATING LEASES

The District leases modular classrooms and various copier machines under noncancellable operating leases. Total payments for these leases were \$49,199 for the fiscal year ended June 30, 2007, and are reported in the general fund. The future minimum lease payments as of June 30, 2007 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 23,883
2009	<u>5,734</u>
Total	<u>\$ 29,617</u>

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2007, the following changes occurred in the governmental activities long-term obligations:

	Interest Rate	Balance 06/30/06	Additions	Reductions	Balance 06/30/07	Amounts Due in One Year
Governmental Activities:						
<u>Notes Payable:</u>						
Energy conservation notes	5.15%	\$ 187,000	\$ -	\$ (187,000)	\$ -	\$ -
Tax anticipation notes	4.50-5.25%	69,399	-	(69,399)	-	-
Total notes payable		<u>256,399</u>	<u>-</u>	<u>(256,399)</u>	<u>-</u>	<u>-</u>
<u>Other Long-Term Obligations:</u>						
Capital lease obligation		177,427	393,164	(158,828)	411,763	122,338
Compensated absences		<u>1,606,548</u>	<u>426,496</u>	<u>(302,085)</u>	<u>1,730,959</u>	<u>350,359</u>
Total other long-term obligations		<u>1,783,975</u>	<u>819,660</u>	<u>(460,913)</u>	<u>2,142,722</u>	<u>472,697</u>
Total governmental activities		<u>\$ 2,040,374</u>	<u>\$ 819,660</u>	<u>\$ (717,312)</u>	<u>\$ 2,142,722</u>	<u>\$ 472,697</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District is primarily the general fund.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 10 for details.

- B. In a prior year, the District issued energy conservation notes and general obligation notes to provide for energy improvements to various District buildings. The general obligation notes were issued for the purpose of refunding notes issued in 1995 for the purpose of purchasing and installing energy conservation measures. The primary source of repayment of these notes was through energy savings as a result of the improvements.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the debt service fund.

During fiscal year 2007 the energy conservation notes and general obligation notes were paid in full.

- C. During fiscal year 2001, the District issued tax anticipation notes for \$600,000. These notes were a general obligation of the District, for which the full faith and credit is pledged for repayment. These notes were a liability of the general fund, which received the proceeds upon issuance.

During fiscal year 2007 the tax anticipation notes were paid in full.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$21,132,759 and an unvoted debt margin of \$234,808.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Nationwide Insurance		
Each occurrence		\$ 1,000,000	\$ -
Aggregate		3,000,000	-
Building and contents	Cincinnati Insurance	45,398,246	5,000
Fleet:	Auto Owner's Insurance		
Comprehensive		1,000,000	1,000
Collision		1,000,000	1,000
Umbrella liability:	Nationwide Insurance		
Each occurrence		1,000,000	10,000
Aggregate		1,000,000	-

Settled claims have not exceeded commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior fiscal year.

B. Employee Group Life, Medical, Dental, and Vision Insurance

In 1981, the District joined 14 other districts in Huron and Erie Counties and formed the Huron-Erie School Employee Insurance Association.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 - RISK MANAGEMENT - (Continued)

The Board of Trustees of the consortium, with assistance of actuarial analysis, establishes premium rates for medical, dental, and prescription drug insurance, based upon the specific plan negotiated by each member district and its employees. Premiums are placed in a Trust Fund controlled by the Board of Trustees and invested prudently to produce income which additionally benefits the consortium. The agreement of the Huron-Erie School Employee Insurance Association provides that the Huron-Erie School Employee Insurance Association will be self-sustaining through member premiums and will reinsure through commercial companies for all claims. The Huron-Erie School Employee Insurance Association retains the risk. The pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$2,000,000 in claims during his or her lifetime. The "reserves" in the Trust Fund include monies necessary to pay the "claims run-out", should the consortium ever be dissolved. Because the consortium is organized under Internal Revenue Code 501C (9), investment income is tax exempt.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

C. Workers' Compensation

The District participates in the Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. 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 fiscal years ended 2007, 2006, and 2005 were \$290,255, \$282,492, and \$270,515 respectively; 45.61 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$157,866 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

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

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

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,249,736, \$1,222,013, and \$1,187,087, respectively; 83.33 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$208,286 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$4,966 made by the District and \$18,245 made by the plan members.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$96,134 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$130,740 to fund health care benefits, including the surcharge.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ (129,365)
Net adjustment for revenue accruals	(21,819)
Net adjustment for expenditure accruals	(89,411)
Net adjustment for other sources/uses	316,033
Adjustment for encumbrances	<u>514,277</u>
GAAP basis	<u>\$ 589,715</u>

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$8,440 per year. A portion of the refund may be recovered from additional State entitlement payments.

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2006 (restated)	\$ (132,381)	\$ (176,000)
Current year set-aside requirement	335,295	335,295
Current year offsets	-	(606,961)
Current year offset - debt related	-	(187,000)
Qualifying disbursements	<u>(328,548)</u>	<u>(463,568)</u>
Total	<u>\$ (125,634)</u>	<u>\$ (1,098,234)</u>
Cash balance carried forward to FY 2008	<u>\$ (125,634)</u>	<u>\$ (363,000)</u>

Capital acquisition beginning carry forward was restated to allow for permanent improvement levy proceeds related to debt.

The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years. The capital acquisition reserve had debt related offsets that may be carried forward to future years. Excess qualifying disbursements may not be carried forward.

SUPPLEMENTARY DATA

**BELLEVUE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(A) Food Donation	10.550	N/A	\$ -	\$ 50,651	\$ -	\$ 50,651
(C) National School Lunch Program	10.555	043596-LLP4-2006	61,850		61,850	
(C) National School Lunch Program	10.555	043596-LLP4-2007	154,608		154,608	
Total National School Lunch Program			<u>216,458</u>		<u>216,458</u>	
Total U.S. Department of Agriculture			<u>216,458</u>	<u>50,651</u>	<u>216,458</u>	<u>50,651</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	043596-C1S1-2006	14,257		33,514	
Title I Grants to Local Educational Agencies	84.010	043596-C1S1-2007	186,161		174,842	
Total Title I Grants to Local Educational Agencies			<u>200,418</u>		<u>208,356</u>	
Special Education Cluster:						
(B) Special Education Grants to States	84.027	043596-6BSD-2006	2,601		3,947	
(B) Special Education Grants to States	84.027	043596-6BSD-2007	59,626		52,922	
(B) Special Education Grants to States	84.027	043596-6BSF-2006	1,231		70,225	
(B) Special Education Grants to States	84.027	043596-6BSF-2007	481,513		482,443	
Total Special Education Grants to States			<u>544,971</u>		<u>609,537</u>	
(B) Special Education Preschool Grant:	84.173	043596-PGS1-2006	4,055		3,423	
(B) Special Education Preschool Grant:	84.173	043596-PGS1-2007	22,293		22,042	
Total Special Education Preschool Grants			<u>26,348</u>		<u>25,465</u>	
Total Special Education Cluster			<u>571,319</u>		<u>635,002</u>	
(E) Safe and Drug-Free Schools and Communities State Grant	84.186	043596-DRS1-2006	(42)		133	
Safe and Drug-Free Schools and Communities State Grant	84.186	043596-DRS1-2007	6,781		6,191	
Total Safe and Drug-Free Schools and Communities State Grants			<u>6,739</u>		<u>6,324</u>	
(F) State Grants for Innovative Program:	84.298	043596-C2S1-2006	(249)		827	
State Grants for Innovative Program:	84.298	043596-C2S1-2007	582		281	
Total State Grants for Innovative Programs			<u>333</u>		<u>1,108</u>	
Education Technology State Grant:	84.318	043596-TJS1-2006	1,801		858	
Education Technology State Grant:	84.318	043596-TJS1-2007	306		50	
Total Education Technology State Grants			<u>2,107</u>		<u>908</u>	
Improving Teacher Quality State Grant:	84.367	043596-TRS1-2006	4,181		13,199	
Improving Teacher Quality State Grant:	84.367	043596-TRS1-2007	82,266		78,763	
Total Improving Teacher Quality State Grants			<u>86,447</u>		<u>91,962</u>	
Total U.S. Department of Education			<u>867,363</u>		<u>943,660</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES						
Medical Assistance Program	93.778	N/A	1,097		1,097	
Total Medical Assistance Program			<u>1,097</u>		<u>1,097</u>	
Total U.S. Department of Health and Human Services			<u>1,097</u>		<u>1,097</u>	
Total Federal Financial Assistance			<u>\$ 1,084,918</u>	<u>\$ 50,651</u>	<u>\$ 1,161,215</u>	<u>\$ 50,651</u>

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market price
- (B) Included as part of "Special Education Grant Cluster" in determining major programs
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on first-in, first-out basis.
- (D) This schedule was prepared on the cash basis of accounting
- (E) The amount of \$42 transferred to the next grant year based upon Ohio Department of Education administrative actio
- (F) The amount of \$249 transferred to the next grant year based upon Ohio Department of Education administrative actio



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**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***

Board of Education
Bellevue City School District
120 North Street
P.O. Box 8003
Bellevue, Ohio 44811

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Bellevue City School District's basic financial statements and have issued our report thereon dated December 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Bellevue City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bellevue City School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Bellevue City School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bellevue City School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Bellevue City School District's financial statements that is more than inconsequential will not be prevented or detected by Bellevue City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Bellevue City School District's internal control.

Board of Education
Bellevue City School District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bellevue 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to the management of Bellevue City School District in a separate letter dated December 10, 2007.

This report is intended solely for the information and use of the management and Board of Education of Bellevue City School District 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.



Julian & Grube, Inc.
December 10, 2007



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**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over
Compliance in Accordance With *OMB Circular A-133***

Board of Education
Bellevue City School District
120 North Street
P.O. Box 8003
Bellevue, Ohio 44811

Compliance

We have audited the compliance of Bellevue 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 its major federal program for the fiscal year ended June 30, 2007. Bellevue City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Bellevue City School District's management. Our responsibility is to express an opinion on Bellevue 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, *Audit 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 Bellevue 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 Bellevue City School District's compliance with those requirements.

In our opinion, Bellevue City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Board of Education
Bellevue City School District

Internal Control Over Compliance

The management of Bellevue 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 Bellevue City School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bellevue City School District's internal control over compliance.

A control deficiency in Bellevue City School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bellevue City School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Bellevue City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Bellevue City School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management and Board of Education of Bellevue City School District 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.



Julian & Grube, Inc.
December 10, 2007

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under §.510?</i>	No
(d)(1)(vii)	<i>Major Programs (listed):</i>	Special Education Cluster: Special Education Grants to States CFDA #84.027, and Special Education Preschool Grants CFDA #84.173
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

BELLEVUE CITY SCHOOL DISTRICT

HURON 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
JANUARY 22, 2008**