



Dave Yost • Auditor of State



**BELLEVUE CITY SCHOOL DISTRICT  
HURON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Bellevue City School District  
Huron County  
125 North Street, P.O. Box 8003  
Bellevue, Ohio 44811-8003

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellevue City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellevue City School District, Huron County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the District adopted Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The accompanying schedule of federal awards receipts and expenditures provides additional information required by the 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. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 12, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$2,765,320 which represents a 10.94% increase from 2010.
- General revenues accounted for \$19,947,220 in revenue or 77.28% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,863,084 or 22.72% of total revenues of \$25,810,304.
- The District had \$23,044,984 in expenses related to governmental activities; only \$5,863,084 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 \$19,947,220 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$18,917,088 in revenues and other financing sources and \$18,029,347 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance, increased \$880,487 from a restated fund balance of \$3,446,985 to \$4,327,472.
- The classroom facilities fund had \$10,771,739 in revenues and \$4,167,636 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance, increased \$6,604,103.

**Using these Basic Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**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 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the classroom facilities fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that 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.

***Reporting the District's Fiduciary Responsibilities***

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**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.

**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 2011 and 2010.

	<b>Net Assets</b>	
	Governmental Activities 2011	Governmental Activities 2010
<b><u>Assets</u></b>		
Current and other assets	\$ 53,580,710	\$ 54,108,894
Capital assets, net	<u>10,888,262</u>	<u>6,871,682</u>
Total assets	<u>64,468,972</u>	<u>60,980,576</u>
<b><u>Liabilities</u></b>		
Current liabilities	9,666,588	8,707,433
Long-term liabilities	<u>26,758,329</u>	<u>26,994,408</u>
Total liabilities	<u>36,424,917</u>	<u>35,701,841</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	10,276,025	6,466,780
Restricted	13,574,241	17,131,391
Unrestricted	<u>4,193,789</u>	<u>1,680,564</u>
Total net assets	<u>\$ 28,044,055</u>	<u>\$ 25,278,735</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$28,044,055.

At year-end, capital assets represented 16.90% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$10,276,025. 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.

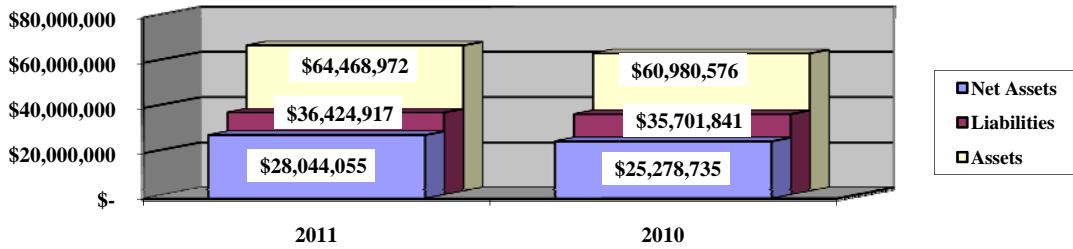
A portion of the District's net assets, \$13,574,241, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,193,789 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
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(Continued)**

The graph below presents the District's governmental activities assets, liabilities, and net assets for fiscal year 2011 and 2010.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2011 and 2010. The 2010 balance of operating grants and contributions and general revenues – grants and entitlements have been restated to conform to 2011 presentation of Pathway to Student Success (PASS) funding from the State of Ohio which was reported as an operating grant and contribution rather than as general revenue.

**Change in Net Assets**

	Governmental Activities 2011	Restated Governmental Activities 2010
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,113,228	\$ 1,028,458
Operating grants and contributions	4,565,896	3,535,261
Capital grants and contributions	183,960	887,881
General revenues:		
Property taxes	8,715,855	7,474,303
School district income taxes	1,236,902	1,560,972
Grants and entitlements	9,792,871	25,644,109
Investment earnings	86,272	94,024
Other	115,320	247,012
<b>Total revenues</b>	<b>\$ 25,810,304</b>	<b>\$ 40,472,020</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Change in Net Assets**

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,353,720	\$ 7,695,342
Special	3,388,438	3,030,444
Vocational	396,797	402,596
Adult		5,308
Other	1,017,544	979,914
Support services:		
Pupil	1,170,406	1,338,750
Instructional staff	958,918	877,519
Board of education	21,870	20,924
Administration	1,423,335	1,823,552
Fiscal	529,413	505,727
Business	12,623	12,618
Operations and maintenance	1,960,048	1,871,032
Pupil transportation	1,048,891	1,296,022
Central	65,983	70,994
Operations of non-instructional services:		
Other non-instructional services	148,486	88,971
Food service operations	815,121	798,773
Extracurricular activities	702,909	658,592
Interest and fiscal charges	1,030,482	349,947
Total expenses	<u>23,044,984</u>	<u>21,827,025</u>
Change in net assets	2,765,320	18,644,995
Net assets at beginning of year	<u>25,278,735</u>	<u>6,633,740</u>
Net assets at end of year	<u><u>\$ 28,044,055</u></u>	<u><u>\$ 25,278,735</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$2,765,320. Total governmental expenses of \$23,044,984, were offset by program revenues of \$5,863,084 and general revenues of \$19,947,220. Program revenues supported 25.44% of the total governmental expenses.

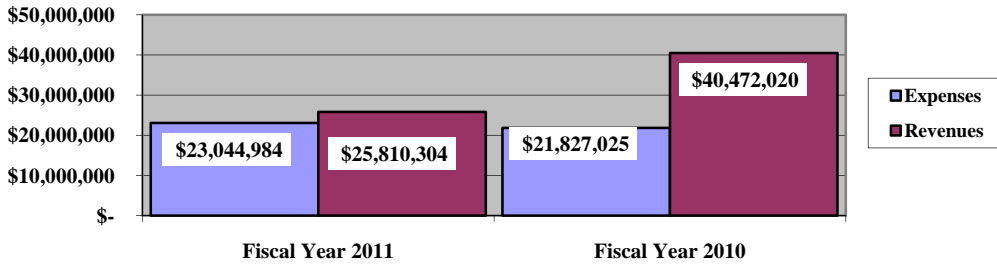
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 76.50% of total governmental revenue. During the current fiscal year grants and entitlements decreased \$15,851,238. This decrease is primarily due to the \$15,921,195 receivable that was book in the previous fiscal year when the District was awarded the State's share of the Ohio School Facilities Commission project. This entire grant amount was recorded in fiscal year 2010 when it was awarded. The fiscal year 2011 grants and entitlements are comparable to fiscal year 2009 (\$9,760,086).

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.

**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 for 2011 compared to 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The 2010 net cost of services for special instruction has been restated to conform to 2011 presentation of PASS funding from the State of Ohio which was reported as an operating grant and contribution offsetting special instruction.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

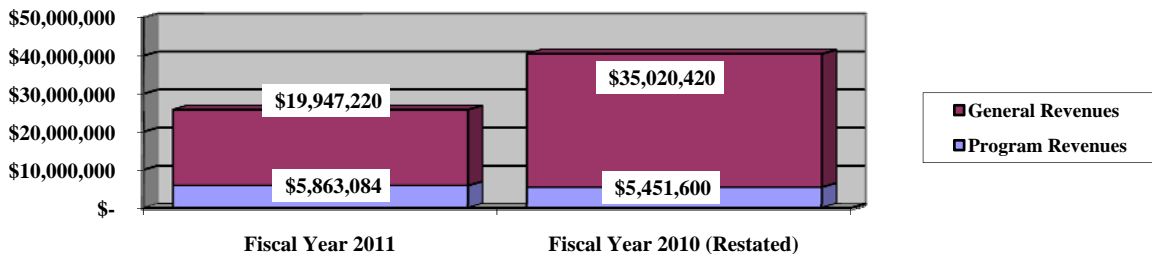
**Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Restated Net Cost of Services 2010
<b><u>Program expenses</u></b>				
Instruction:				
Regular	\$ 8,353,720	\$ 6,392,667	\$ 7,695,342	\$ 6,482,411
Special	3,388,438	1,544,317	3,030,444	1,297,296
Vocational	396,797	288,790	402,596	295,393
Adult			5,308	5,308
Other	1,017,544	990,414	979,914	968,674
Support services:				
Pupil	1,170,406	1,090,645	1,338,750	1,238,995
Instructional staff	958,918	809,507	877,519	755,082
Board of education	21,870	21,870	20,924	20,924
Administration	1,423,335	1,418,260	1,823,552	1,812,398
Fiscal	529,413	529,413	505,727	505,727
Business	12,623	12,623	12,618	12,618
Operations and maintenance	1,960,048	1,956,718	1,871,032	1,868,463
Pupil transportation	1,048,891	1,028,472	1,296,022	1,264,722
Central	65,983	60,983	70,994	65,994
Operations of non-instructional services:				
Other non-instructional services	148,486	(6,473)	88,971	(38,943)
Food service operations	815,121	(88,589)	798,773	(79,955)
Extracurricular activities	702,909	390,314	658,592	(449,629)
Interest and fiscal charges	1,030,482	741,969	349,947	349,947
<b>Total expenses</b>	<b><u>\$ 23,044,984</u></b>	<b><u>\$ 17,181,900</u></b>	<b><u>\$ 21,827,025</u></b>	<b><u>\$ 16,375,425</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent, 70.05% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.56%. The District's taxpayers and grants and entitlements from the State of Ohio, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2011 and 2010.

**Governmental Activities - General and Program Revenues**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$37,312,444, which is higher than last year's restated balance of \$28,909,776 (as described in note 3.B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase
General	\$ 4,327,472	\$ 3,446,985	\$ 880,487
Classroom Facilities	30,049,965	23,445,862	6,604,103
Other Governmental	2,935,007	2,016,929	918,078
<b>Total</b>	<b>\$ 37,312,444</b>	<b>\$ 28,909,776</b>	<b>\$ 8,402,668</b>

**General Fund**

The District's general fund balance increased \$880,487. The increase in fund balance can be attributed to revenues exceeding expenditures during the year.

The table that follows assists in illustrating the financial activities of the general fund.

	2011 Amount	Restated 2010 Amount	Percentage Change
<b><u>Revenues</u></b>			
Taxes	\$ 7,756,726	\$ 7,625,380	1.72 %
Tuition	333,809	304,731	9.54 %
Earnings on investments	31,842	27,420	16.13 %
Intergovernmental	10,476,493	10,436,673	0.38 %
Other revenues	290,756	423,569	(31.36) %
<b>Total</b>	<b>\$ 18,889,626</b>	<b>\$ 18,817,773</b>	<b>0.38 %</b>
<b><u>Expenditures</u></b>			
Instruction	\$ 10,630,917	\$ 10,200,335	4.22 %
Support services	6,680,639	7,040,590	(5.11) %
Operation of non-instructional services	38,573	13,407	187.71 %
Extracurricular activities	466,268	436,314	6.87 %
Facilities acquisition and construction	4,858	39,539	(87.71) %
Capital outlay	22,330	13,664	63.42 %
Debt service	89,625	99,533	(9.95) %
<b>Total</b>	<b>\$ 17,933,210</b>	<b>\$ 17,843,382</b>	<b>0.50 %</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Tuition received is based on the number of open enrollment students coming into the District. Earnings on investments increased due to an increase in the amount that the District had invested in federal agency securities at year end compared to the prior year. Other revenues decreased due to a decrease in miscellaneous local revenues.

Instruction expenditures increased due to an increase in personnel expenses and support services decreased due to a decrease in transportation expenses. Expenditures related to operation of non-instructional services increased due to an increase in supplies purchased during the year. During the current fiscal year the District's general fund spent less on site improvements compared to the prior fiscal year. This caused facilities acquisition and construction expenditures to decrease.

***Classroom Facilities Fund***

The classroom facilities fund had \$10,771,739 in revenues and \$4,167,636 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance, increased \$6,604,103. This increase in the fund balance was the result of poor weather conditions delaying the construction project.

***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.

For the general fund, final budgeted revenues and other financing sources of \$18,350,341 remained unchanged from the original budget amounts. Actual revenues and other financing sources for fiscal year 2011 were \$18,659,798. This represents a \$309,457 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$19,089,979 remained the same in the final appropriations. The actual budget basis expenditures for fiscal year 2011 totaled \$18,011,215, which was \$1,078,764 less than the final budget appropriations. Actual expenditures were significantly less than expected through budget savings measures being implemented and less than anticipated staffing retirements.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the District had \$10,888,262 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The 2010 capital assets were restated so that the beginning balances were stated correctly (see Note 9 for detail).

The following table shows fiscal year 2011 balances compared to 2010:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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

	Governmental Activities	
	2011	Restated 2010
Land	\$ 1,090,200	\$ 1,014,926
Construction in progress	4,154,755	450,955
Land improvements	211,338	175,148
Building and improvements	3,506,738	3,861,580
Furniture and equipment	1,237,041	602,102
Vehicles	688,190	766,971
Total	<u>\$ 10,888,262</u>	<u>\$ 6,871,682</u>

Total additions to capital assets for 2011 were \$4,945,190. The overall increase in capital assets of \$4,016,580 is primarily due to capital outlays of \$4,945,190, exceeding depreciation expense of \$452,535 and disposals of \$476,075 (net of accumulated depreciation) for fiscal year 2011.

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

***Debt Administration***

At June 30, 2011, the District had \$150,161 in capital lease obligations, \$1,123,000 in Energy Conservation Notes and \$23,295,819 in school facilities construction and improvement bonds outstanding. Of this total, \$497,755 is due within one year and \$24,071,225 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2011 compared to 2010.

**Outstanding Debt, at Year End**

	Governmental Activities 2011	Governmental Activities 2010
Capital lease obligations	\$ 150,161	\$ 211,229
Energy Conservation Notes	1,123,000	1,200,000
School Facilities Construction and Improvement Bonds	23,295,819	23,415,428
Total	<u>\$ 24,568,980</u>	<u>\$ 24,826,657</u>

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

**Current Financial Related Activities**

The District closely monitors its revenues and expenditures in accordance with its financial forecast. The Board of Education and Administration continue to spend within the budgeted expenditure levels and keep a very close watch on revenue.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

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 not increased as originally thought due to the economy. Changes in school funding, flat real estate values and projected decreases in state per student funding have forced school districts across the State to ask residents for additional revenue. Bellevue, which met 25 out of 26 indicators on the 2010-11 state report card, rated an excellent district, was in such a situation in 2008. With the District's revenue growth not keeping up with the increase in expenditures, the District first asked the voters to approve an additional 3.75 mill property tax in November 2008, however, the proposed tax levy was defeated.

The Administration responded with a restructuring plan that the Board approved for the 2010 fiscal school year. The plan consisted of closing two elementary buildings, relocating elementary students to grade level specific buildings and relocating all sixth graders to the middle school (from the elementary buildings). All preschool through first grade students were housed at Shumaker Elementary. District second graders were housed at Ridge Elementary while all third through fifth grade students were housed at York Elementary. The Ellis and Lyme Elementary buildings were closed. A savings of \$1.2 million resulted from the restructuring. The majority of the savings came from a staff reduction of over 40 staff members. This eliminated the need to ask residents for additional taxes at this point in time.

The District's opportunity to receive State monies through the Ohio School Facilities Commission became apparent during the 2009 fiscal year. The District qualified for 41% of the master plan cost to come from the State if local voters approved a tax issue to pay the remaining 59%. After obtaining community input, the master plan was approved which included the building of one new central elementary for grades preschool through five, building one middle school for grades six through eight and renovation of the current high school. Community input also pointed to segmenting the master plan to put a tax issue on the ballot for the elementary and middle school buildings now, but to wait to ask voters for taxes to renovate the high school. In addition to the 41% State share, District officials applied and were granted the ability to issue Qualified School Constructions Bonds (QSCB) through the federal stimulus monies at zero to very low interest rates. The District successfully passed a 4.9 mill bond issue that was on the November 3, 2009 ballot. The ability to issue QSCBs and Build America Bonds versus traditional general obligation bonds resulted in an interest savings of \$11 million and shortened tax collection period by ten years. The true interest cost for the total issue was 3.48%.

As part of the master plan for the Ohio School Facilities Commission project, the Shumaker Elementary School was demolished after the 2010 school year to make way for the construction of the new middle school. For the 2011 and 2012 school years, students that were housed at Shumaker Elementary were moved to the following buildings: Preschool to Seybert Methodist Church, kindergarten to Ellis Elementary, first and second grade students to Ridge Elementary.

The District is currently in the construction phase of one central elementary building and a middle school. Construction bids were approved the spring of 2011 with construction commencing as soon as the weather broke. The buildings are to open for the start of the 2012-13 school year. The District administration appreciates the trust the district residents have placed in them in approving the construction of two new buildings. It is a most exciting time for the District!

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, 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, P.O. Box 8003, Bellevue, Ohio 44811-8003.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 38,287,485
Cash and investments with escrow agent. . . . .	31,528
Receivables:	
Property taxes . . . . .	9,188,694
Income taxes. . . . .	432,780
Accounts. . . . .	92,154
Accrued interest . . . . .	12,284
Intergovernmental . . . . .	4,970,214
Loans. . . . .	10,672
Prepayments . . . . .	62,232
Materials and supplies inventory. . . . .	152,672
Unamortized bond issuance costs . . . . .	339,995
Capital assets:	
Land and construction in progress . . . . .	5,244,955
Depreciable capital assets, net. . . . .	5,643,307
Capital assets, net . . . . .	10,888,262
 Total assets. . . . .	 64,468,972
 <b>Liabilities:</b>	
Accounts payable. . . . .	208,261
Contracts payable. . . . .	1,209,938
Accrued wages and benefits . . . . .	1,778,664
Pension obligation payable. . . . .	474,614
Intergovernmental payable . . . . .	109,050
Accrued interest payable . . . . .	81,648
Unearned revenue . . . . .	5,804,413
Long-term liabilities:	
Due within one year. . . . .	989,709
Due in more than one year. . . . .	25,768,620
 Total liabilities . . . . .	 36,424,917
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	10,276,025
Restricted for:	
Capital projects . . . . .	11,477,949
Classroom facilities maintenance . . . . .	320,963
Debt service . . . . .	1,152,210
Locally funded programs . . . . .	8,022
State funded programs. . . . .	8,926
Federally funded programs . . . . .	259,593
Student activities . . . . .	160,002
Other purposes . . . . .	186,576
Unrestricted. . . . .	4,193,789
 Total net assets . . . . .	 \$ 28,044,055

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, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 8,353,720	\$ 413,172	\$ 1,363,921	\$ 183,960	\$ (6,392,667)
Special . . . . .	3,388,438		1,844,121		(1,544,317)
Vocational . . . . .	396,797		108,007		(288,790)
Other . . . . .	1,017,544	4,413	22,717		(990,414)
Support services:					
Pupil. . . . .	1,170,406		79,761		(1,090,645)
Instructional staff . . . . .	958,918		149,411		(809,507)
Board of education . . . . .	21,870				(21,870)
Administration. . . . .	1,423,335		5,075		(1,418,260)
Fiscal. . . . .	529,413				(529,413)
Business. . . . .	12,623				(12,623)
Operations and maintenance . . . . .	1,960,048	3,330			(1,956,718)
Pupil transportation. . . . .	1,048,891		20,419		(1,028,472)
Central . . . . .	65,983		5,000		(60,983)
Operation of non-instructional services:					
Other non-instructional services . . . . .	148,486	34,617	120,342		6,473
Food service operations . . . . .	815,121	408,273	495,437		88,589
Extracurricular activities. . . . .	702,909	249,423	63,172		(390,314)
Interest and fiscal charges . . . . .	1,030,482		288,513		(741,969)
Total governmental activities . . . . .	<u>\$ 23,044,984</u>	<u>\$ 1,113,228</u>	<u>\$ 4,565,896</u>	<u>\$ 183,960</u>	<u>(17,181,900)</u>

**General Revenues:**

Property taxes levied for:		
General purposes . . . . .		7,053,517
Special revenue . . . . .		127,304
Debt service. . . . .		1,177,481
Capital projects. . . . .		357,553
School district income tax . . . . .		1,236,902
Grants and entitlements not restricted to specific programs . . . . .		9,792,871
Investment earnings . . . . .		86,272
Miscellaneous . . . . .		115,320
Total general revenues . . . . .		<u>19,947,220</u>
Change in net assets . . . . .		2,765,320
<b>Net assets at beginning of year. . . . .</b>		<u>25,278,735</u>
<b>Net assets at end of year . . . . .</b>		<u>\$ 28,044,055</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 4,314,536	\$ 31,189,391	\$ 2,783,558	\$ 38,287,485
Cash and investments with escrow agent . . . . .			31,528	31,528
Receivables:				
Property taxes . . . . .	7,384,985		1,803,709	9,188,694
Income taxes . . . . .	432,780			432,780
Accounts . . . . .	27,757		64,397	92,154
Intergovernmental . . . . .		4,488,839	481,375	4,970,214
Accrued interest . . . . .	282	11,926	76	12,284
Interfund loans . . . . .	209,339			209,339
Loans . . . . .	10,672			10,672
Prepayments . . . . .	56,180		6,052	62,232
Materials and supplies inventory. . . . .	95,862		56,810	152,672
Total assets. . . . .	<u>\$ 12,532,393</u>	<u>\$ 35,690,156</u>	<u>\$ 5,227,505</u>	<u>\$ 53,450,054</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 88,054		\$ 120,207	\$ 208,261
Contracts payable . . . . .		\$ 1,209,938		1,209,938
Accrued wages and benefits . . . . .	1,538,227		240,437	1,778,664
Compensated absences payable. . . . .	358,606		7,806	366,412
Pension obligation payable . . . . .	413,823		60,791	474,614
Interfund loans payable. . . . .			209,339	209,339
Intergovernmental payable . . . . .	96,575		12,475	109,050
Deferred revenue . . . . .	1,048,987	4,430,253	497,679	5,976,919
Unearned revenue. . . . .	4,660,649		1,143,764	5,804,413
Total liabilities. . . . .	<u>8,204,921</u>	<u>5,640,191</u>	<u>2,292,498</u>	<u>16,137,610</u>
<b>Fund Balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	95,862		56,810	152,672
Prepays . . . . .	56,180		6,052	62,232
Restricted:				
Debt service . . . . .			1,056,158	1,056,158
Capital improvements . . . . .		30,049,965	984,172	31,034,137
Classroom facilities maintenance . . . . .			320,963	320,963
Food service operations . . . . .			141,914	141,914
Non-public schools . . . . .			28,452	28,452
Special education . . . . .			200	200
Other purposes. . . . .			27,097	27,097
Extracurricular. . . . .			160,002	160,002
Committed:				
Capital improvements . . . . .			197,482	197,482
Assigned:				
Student instruction. . . . .	16,481			16,481
Student and staff support. . . . .	142,572			142,572
Facilities acquisition and construction . . . . .	1,360			1,360
Uniform school supplies . . . . .	2,027			2,027
Other purposes . . . . .	21,656			21,656
Unassigned (deficit) . . . . .	3,991,334		(44,295)	3,947,039
Total fund balances . . . . .	<u>4,327,472</u>	<u>30,049,965</u>	<u>2,935,007</u>	<u>37,312,444</u>
Total liabilities and fund balances . . . . .	<u>\$ 12,532,393</u>	<u>\$ 35,690,156</u>	<u>\$ 5,227,505</u>	<u>\$ 53,450,054</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, 2011

<b>Total governmental fund balances</b>		\$	37,312,444
 <i>Amounts reported for governmental activities on 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.			10,888,262
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	1,300,532	
Accrued interest receivable		10,912	
Intergovernmental receivable		4,665,475	
Total		5,976,919	5,976,919
Unamortized premiums on bond issuances are not recognized in the funds.			(340,003)
Unamortized bond issuance costs are not recognized in the funds.			339,995
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(81,648)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
School facilities construction and improvement bonds		(23,295,819)	
Energy conservation notes		(1,123,000)	
Capital lease obligation		(150,161)	
Compensated absences payable		(1,482,934)	
Total		(26,051,914)	(26,051,914)
<b>Net assets of governmental activities</b>		\$	28,044,055

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, 2011

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 6,519,824		\$ 1,541,570	\$ 8,061,394
Income taxes . . . . .	1,236,902			1,236,902
Tuition . . . . .	333,809			333,809
Charges for services . . . . .			408,273	408,273
Earnings on investments . . . . .	31,842	\$ 54,190	6,792	92,824
Extracurricular . . . . .	39,030		249,423	288,453
Classroom materials and fees . . . . .	79,363			79,363
Rental income . . . . .	3,330			3,330
Contributions and donations . . . . .	24,575		3,850	28,425
Other local revenues . . . . .	144,458		58,016	202,474
Intergovernmental - state . . . . .	10,412,023	10,717,549	700,644	21,830,216
Intergovernmental - federal . . . . .	64,470		3,121,151	3,185,621
Total revenues . . . . .	<u>18,889,626</u>	<u>10,771,739</u>	<u>6,089,719</u>	<u>35,751,084</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,931,985		959,152	7,891,137
Special . . . . .	2,306,631		1,076,718	3,383,349
Vocational . . . . .	401,418			401,418
Other . . . . .	990,883		19,324	1,010,207
Support services:				
Pupil . . . . .	1,131,444		81,955	1,213,399
Instructional staff . . . . .	774,980		160,884	935,864
Board of education . . . . .	21,870			21,870
Administration . . . . .	1,447,255		3,028	1,450,283
Fiscal . . . . .	494,585		37,506	532,091
Business . . . . .	12,623			12,623
Operations and maintenance . . . . .	1,782,438		36,209	1,818,647
Pupil transportation . . . . .	948,875			948,875
Central . . . . .	66,569		4,999	71,568
Operation of non-instructional services:				
Operation of non-instructional . . . . .	38,573		111,228	149,801
Food service operations . . . . .			799,982	799,982
Extracurricular activities . . . . .	466,268		225,081	691,349
Facilities acquisition and construction . . . . .	4,858	4,167,636	581,904	4,754,398
Capital outlay . . . . .	22,330			22,330
Debt service:				
Principal retirement . . . . .	76,446		228,952	305,398
Interest and fiscal charges . . . . .	13,179		985,306	998,485
Total expenditures . . . . .	<u>17,933,210</u>	<u>4,167,636</u>	<u>5,312,228</u>	<u>27,413,074</u>
Excess of revenues over expenditures . . . . .	<u>956,416</u>	<u>6,604,103</u>	<u>777,491</u>	<u>8,338,010</u>
<b>Other financing sources (uses):</b>				
Sale of assets . . . . .	5,132		49,139	54,271
Transfers in . . . . .			96,137	96,137
Transfers (out) . . . . .	(96,137)			(96,137)
Capital lease transaction . . . . .	22,330			22,330
Total other financing sources (uses) . . . . .	<u>(68,675)</u>		<u>145,276</u>	<u>76,601</u>
Net change in fund balances . . . . .	887,741	6,604,103	922,767	8,414,611
<b>Fund balances at beginning of year (restated).</b>	3,446,985	23,445,862	2,016,929	28,909,776
<b>Decrease in reserve for inventory . . . . .</b>	(7,254)		(4,689)	(11,943)
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,327,472</u>	<u>\$ 30,049,965</u>	<u>\$ 2,935,007</u>	<u>\$ 37,312,444</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, 2011

<b>Net change in fund balances - total governmental funds</b>	\$	8,414,611
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 4,751,190	
Current year depreciation	(452,535)	
Total	4,298,655	4,298,655
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(282,075)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	654,461	
Earnings on investments	(5,013)	
Intergovernmental	(10,590,228)	
Total	(9,940,780)	(9,940,780)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(11,943)
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	145,000	
Notes	77,000	
Capital leases	83,398	
Total	305,398	305,398
Proceeds of capital lease transactions are recorded as other financing sources in the funds however, on the statement of activities, the proceeds increase the liabilities on the statement of net assets.		
		(22,330)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(6,607)	
Accreted interest on capital appreciation bonds	(25,391)	
Amortization of bond issuance costs	(12,870)	
Amortization of bond premiums	12,871	
Total	(31,997)	(31,997)
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.		
		35,781
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>2,765,320</b>

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 6,289,914	\$ 6,289,914	\$ 6,289,913	\$ (1)
Income taxes . . . . .	1,175,665	1,175,665	1,212,482	36,817
Tuition . . . . .	278,878	278,878	353,679	74,801
Earnings on investments . . . . .	40,000	40,000	34,680	(5,320)
Classroom materials and fees . . . . .	55,080	55,080	50,686	(4,394)
Rental income . . . . .	1,500	1,500	3,626	2,126
Other local revenues . . . . .	109,971	109,971	113,539	3,568
Intergovernmental - state . . . . .	10,217,744	10,217,744	10,412,023	194,279
Intergovernmental - federal . . . . .	60,000	60,000	64,470	4,470
<b>Total revenues . . . . .</b>	<b>18,228,752</b>	<b>18,228,752</b>	<b>18,535,098</b>	<b>306,346</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,245,315	7,245,315	6,702,897	542,418
Special . . . . .	2,436,434	2,436,434	2,273,211	163,223
Vocational . . . . .	402,630	402,630	412,118	(9,488)
Adult/continuing . . . . .	5,425	5,425	5,425	5,425
Other . . . . .	986,250	986,250	986,607	(357)
Support services:				
Pupil . . . . .	1,126,364	1,126,364	1,136,243	(9,879)
Instructional staff . . . . .	932,488	932,488	783,393	149,095
Board of education . . . . .	38,560	38,560	21,310	17,250
Administration . . . . .	1,600,660	1,600,660	1,482,645	118,015
Fiscal . . . . .	525,515	525,515	489,814	35,701
Business . . . . .	12,634	12,634	12,549	85
Operations and maintenance . . . . .	1,973,042	1,973,042	1,898,584	74,458
Pupil transportation . . . . .	1,037,842	1,037,842	967,663	70,179
Central . . . . .	67,757	67,757	67,043	714
Extracurricular activities . . . . .	458,166	458,166	448,486	9,680
Facilities acquisition and construction . . . . .	21,589	21,589	6,580	15,009
<b>Total expenditures . . . . .</b>	<b>18,870,671</b>	<b>18,870,671</b>	<b>17,689,143</b>	<b>1,181,528</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(641,919)	(641,919)	845,955	1,487,874
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .			3,979	3,979
Refund of prior year's receipts . . . . .	(500)	(500)		500
Transfers (out) . . . . .	(98,808)	(98,808)	(102,061)	(3,253)
Advances in . . . . .	115,589	115,589	115,589	
Advances (out) . . . . .	(120,000)	(120,000)	(220,011)	(100,011)
Sale of capital assets . . . . .	6,000	6,000	5,132	(868)
<b>Total other financing sources (uses) . . . . .</b>	<b>(97,719)</b>	<b>(97,719)</b>	<b>(197,372)</b>	<b>(99,653)</b>
Net change in fund balance . . . . .	(739,638)	(739,638)	648,583	1,388,221
<b>Fund balance at beginning of year (restated) . . . . .</b>	<b>2,987,444</b>	<b>2,987,444</b>	<b>2,987,444</b>	
<b>Prior year encumbrances appropriated . . . . .</b>	<b>402,046</b>	<b>402,046</b>	<b>402,046</b>	
<b>Fund balance at end of year . . . . .</b>	<b>\$ 2,649,852</b>	<b>\$ 2,649,852</b>	<b>\$ 4,038,073</b>	<b>\$ 1,388,221</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 8,403	\$ 81,447
Receivables:		
Accounts . . . . .		32
Total assets. . . . .	<u>8,403</u>	<u>\$ 81,479</u>
<b>Liabilities:</b>		
Accounts payable . . . . .		\$ 2,140
Due to students. . . . .		68,667
Loans payable . . . . .		10,672
Total liabilities . . . . .		<u>\$ 81,479</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>8,403</u>	
Total net assets . . . . .	<u>\$ 8,403</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 23
Gifts and contributions . . . . .	300
	323
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,000
	(1,677)
Change in net assets . . . . .	(1,677)
<b>Net assets at beginning of year. . . . .</b>	<b>10,080</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 8,403</b>

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, 2011**

**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 seven instructional/support facilities staffed by 90 non-certified employees and 159 certified teaching personnel to provide services to approximately 2,123 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 Erie, Huron, Sandusky and Seneca Counties and includes all of the City of Bellevue, Ohio and portions of surrounding townships.

The District is the 239<sup>th</sup> largest in the State of Ohio (among 918 public and community school districts) in terms of enrollment. It currently operates 3 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**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 access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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).

*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 a number of area 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. The District paid \$87,231 to the Bay Area Council of Governments for natural gas in fiscal year 2011. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 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, 2011  
(Continued)**

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

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 a number of 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. The District paid \$48,890 to NOECA for services in fiscal year 2011. Financial information can be obtained from its fiscal agent, the North Point Educational Service Center, Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

*PUBLIC ENTITY RISK POOL*

Sheakley Workers' Compensation Group Retrospective Rating Plan

The District participates in a group retrospective rating plan for workers' compensation. The Sheakley Workers' Compensation Group Retrospective Rating Plan is a program where the District will continue to pay their individual bureau of workers' compensation premiums for the program year as required. The Bureau of Workers Compensation will evaluate the group's claim losses (compensation and medical costs, as well as claim reserves), at 12, 24 and 36 months following the end of the group retro policy year. If the Bureau of Workers Compensation findings result in a group retrospective premium calculation lower than the group's standard premium, participating employers may be entitled to a refund. Each year, the participating school districts pay an enrollment fee to Sheakley to cover the costs of administering the program.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of a number of school districts in the area. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

*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 are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student 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.

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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, 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). Revenue from income taxes is recognized in the period in which the income is earned (See Note 7).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, 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, 2011, but which were levied to finance fiscal year 2012 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 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the fiscal 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. Allocations 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, 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 purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

2. By no later than January 31, the Board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination.
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 July 1, 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 of estimated resources issued for fiscal year 2011.
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 the legal 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 year 2011. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**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 investments" on the basic financial statements.

During fiscal year 2011, investments were limited to Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, United States Treasury bills, U.S. Government money markets and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposits, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2011. 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 shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$31,842, which includes \$8,481 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 purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. On the fund financial statements, inventories are valued at cost and accounted for using the consumption method. Inventories are recorded on a first-in, first-out basis and are expensed when used.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**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.

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

<u>Description</u>	<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 sick leave 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave 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.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011, 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 and compensated absences 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 and contractually required pension obligations are recognized as a liability on the fund financial statements when due.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted for food service and special trusts. The District had no net assets restricted by enabling legislation.

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

**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.

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**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. Unamortized Issuance Costs/Bond Premium and Discount**

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

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**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 2011, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

	General	Classroom Facilities	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 3,386,036	\$ 23,445,862	\$ 2,077,878	\$ 28,909,776
Fund reclassifications:				
Public school support fund	51,107		(51,107)	
Uniform school supplies fund	6,675		(6,675)	
Special trust fund	3,167		(3,167)	
Total fund reclassifications	60,949		(60,949)	
Restated fund balance at July 1, 2010	\$ 3,446,985	\$ 23,445,862	\$ 2,016,929	\$ 28,909,776

The fund reclassifications did not have an effect on net assets as previously reported.

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report, only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

**Budgetary Basis**

	General Fund
Fund balance at June 30, 2010	\$ 3,006,894
Funds budgeted elsewhere	(19,450)
Restated fund balance at July 1, 2010	\$ 2,987,444

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**D. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 51
Vocational education enhancements	1
Race to the top	464
Title VI-B	4,250
Title I	25,491
Reducing class size	14,038

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 resulted 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 monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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;

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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 the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash and Investments with Escrow Agent**

At fiscal year end, \$31,363 was on deposit with an escrow agent for monies held in relation to the District's sinking fund deposits that are required for the District's Series 2010A bonds (See Note 11.C.). These funds are included as "investments" below.

**B. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$4,265,098. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$4,088,488 of the District's bank balance of \$4,389,056 was exposed to custodial risk as discussed below, while \$300,568 was covered by the FDIC.

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2011, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturity			
		6 months or less	7 to 12 months	13 to 18 months	Greater than 24 months
STAR Ohio	\$ 10,603,342	\$ 10,603,342			
FFCB	800,119	800,119			
FHLB	9,335,118	2,350,329	\$ 6,152,843	\$ 803,149	\$ 28,797
FHLMC	2,100,146			2,100,146	
FHLB discount notes	2,837,345		2,837,345		
FHLMC discount notes	703,878		703,878		
U.S. Government money market	20,926	20,926			
U.S. Treasury bill	7,742,891	1,949,050	5,793,841		
<b>Total</b>	<b>\$ 34,143,765</b>	<b>\$ 15,723,766</b>	<b>\$ 15,487,907</b>	<b>\$ 2,903,295</b>	<b>\$ 28,797</b>

*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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* The District's investments in federal securities and U.S. Treasury bills were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Treasury bills are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*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, 2011.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 10,603,342	31.06
FFCB	800,119	2.34
FHLB	9,335,118	27.34
FHLMC	2,100,146	6.15
FHLB discount notes	2,837,345	8.31
FHLMC discount notes	703,878	2.06
U.S. Government money market	20,926	0.06
U.S. Treasury bill	7,742,891	22.68
Total	<u>\$ 34,143,765</u>	<u>100.00</u>

**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 note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,265,098
Investments	<u>34,143,765</u>
Total	<u><u>\$ 38,408,863</u></u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 38,319,013
Private-purpose trust fund	8,403
Agency fund	<u>81,447</u>
Total	<u><u>\$ 38,408,863</u></u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2011 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 fund	Nonmajor governmental funds	<u><u>\$ 209,339</u></u>

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

Interfund balances between governmental funds are eliminated on the government-wide statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	<u><u>\$ 96,137</u></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.

All transfers made in fiscal year 2011 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers between governmental funds are eliminated on the government-wide statement of activities.

- C. Loans between governmental funds and the agency fund are reported as "loans receivable/payable" on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 10,672</u>
Total Loans receivable/payable		<u><u>\$ 10,672</u></u>

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

**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 property and public utility property. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.



**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Erie, Huron, Sandusky and Seneca Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$1,675,349 in the general fund, \$119,206 in the permanent improvement fund (a nonmajor governmental fund) and \$289,194 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,444,377 in the general fund, \$102,895 in the permanent improvement fund (a nonmajor governmental fund) and \$266,854 in the debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 244,132,420	97.12	\$ 244,769,200	97.00
Public utility personal	7,251,750	2.88	7,592,780	3.00
Total	<u>\$ 251,384,170</u>	<u>100.00</u>	<u>\$ 252,361,980</u>	<u>100.00</u>
Tax rate per \$1,000 of the full voted tax rate		\$43.10		\$43.10

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The District maintains a five year .5% income tax through 2011 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 2011 was \$1,236,902.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2011 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:**

Property taxes	\$ 9,188,694
Income taxes	432,780
Accounts	92,154
Intergovernmental	4,970,214
Accrued interest	<u>12,284</u>
Total	<u>\$ 14,696,126</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio Schools Facilities Commission intergovernmental receivable of \$4,488,839, which will be collected over the duration of the construction project.

**NOTE 9 - CAPITAL ASSETS**

The beginning balance of land improvements and building and improvements has been restated by (\$606,567) and \$606,567, respectively, to properly classify a prior year addition. In addition, the beginning balance of accumulated depreciation in building and improvements and furniture and equipment has been restated by (\$51,240) and \$51,250, respectively, to properly classify the beginning accumulated depreciation balances. These reclassifications had no effect on total capital assets, net reported at June 30, 2010. Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 9 - CAPITAL ASSETS - (Continued)**

	Balance 06/30/10	Additions	Deductions	Balance 06/30/11
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,014,926	\$ 156,174	\$ (80,900)	\$ 1,090,200
Construction in progress	450,955	3,897,800	(194,000)	4,154,755
Total capital assets, not being depreciated	1,465,881	4,053,974	(274,900)	5,244,955
<i>Capital assets, being depreciated:</i>				
Land improvements	775,935	94,400	(47,258)	823,077
Buildings and improvements	8,184,376	-	(572,744)	7,611,632
Furniture and equipment	3,243,701	780,093	(181,608)	3,842,186
Vehicles	1,464,483	16,723	-	1,481,206
Total capital assets, being depreciated	13,668,495	891,216	(801,610)	13,758,101
<i>Less: accumulated depreciation:</i>				
Land improvements	(600,787)	(18,199)	7,247	(611,739)
Buildings and improvements	(4,322,796)	(193,678)	411,580	(4,104,894)
Furniture and equipment	(2,641,599)	(145,154)	181,608	(2,605,145)
Vehicles	(697,512)	(95,504)	-	(793,016)
Total accumulated depreciation	(8,262,694)	(452,535)	600,435	(8,114,794)
Governmental activities capital assets, net	<u>\$ 6,871,682</u>	<u>\$ 4,492,655</u>	<u>\$ (476,075)</u>	<u>\$ 10,888,262</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 209,572
Special	13,923
Other	7,337

Support services:

Instructional staff	17,269
Administration	6,682
Operations and maintenance	93,094
Pupil transportation	84,915
Extracurricular activities	11,560
Food service operations	8,183
Total depreciation expense	<u>\$ 452,535</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of furniture and equipment and vehicles have been capitalized in the amount of \$394,807. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$272,308, leaving a current book value of \$122,499. A corresponding liability was recorded in the government-wide statement of net assets. Principal payments in the 2011 fiscal year were as follows: \$76,446 paid by the general fund and \$6,952 paid by the permanent improvement fund (a nonmajor governmental 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, 2011:

Fiscal Year Ending June 30,	Amount
2012	93,886
2013	47,831
2014	14,233
2015	6,332
2016	2,396
Total minimum lease payments	164,678
Less: amount representing interest	(14,517)
Total	\$ 150,161

In calculating invested in capital assets, net of related debt on the statement of net assets, capital leases capitalized have outstanding debt at June 30, 2011 in the amount of \$146,458.

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2011, the following changes occurred in the governmental activities long-term obligations:

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

	Balance 06/30/10	Additions	Reductions	Balance 06/30/11	Amounts Due in One Year
<b>Governmental activities:</b>					
Energy conservation notes	\$ 1,200,000	\$ -	\$ (77,000)	\$ 1,123,000	\$ 78,000
General obligation bonds:					
Series 2010A	9,400,000	-	(145,000)	9,255,000	260,000
Series 2010B and C	14,015,428	25,391	-	14,040,819	75,000
Capital lease obligation	211,229	22,330	(83,398)	150,161	84,755
Compensated absences	1,814,877	433,118	(398,649)	1,849,346	491,954
<b>Total long-term obligations</b>	<b>\$ 26,641,534</b>	<b>\$ 480,839</b>	<b>\$ (704,047)</b>	<b>26,418,326</b>	<b>\$ 989,709</b>
Add: unamortized premium				340,003	
Total on statement of net assets				<b>\$ 26,758,329</b>	

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

Capital Lease Obligations: The capital lease obligations will be paid from the general fund and the permanent improvement fund (a nonmajor governmental fund). See Note 10 for details.

- B. Energy Conservation Notes:** In a prior fiscal year, the District issued \$1,200,000 in energy conservation notes. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the statement of net assets. Payments of principal and interest relating to these notes will be recorded as expenditures in the debt service fund (a nonmajor governmental fund). \$726,927 of the note proceeds were unspent at June 30, 2011.

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

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 78,000	\$ 5,420	\$ 83,420
2013	78,000	5,030	83,030
2014	78,000	4,640	82,640
2015	79,000	4,248	83,248
2016	79,000	3,852	82,852
2017 - 2021	402,000	13,266	415,266
2022 - 2025	329,000	3,296	332,296
Total	<u>\$ 1,123,000</u>	<u>\$ 39,752</u>	<u>\$ 1,162,752</u>

- C. School Facilities Construction and Improvement Bonds - Series 2010A:** On February 18, 2010, the District issued \$9,400,000 of Qualified School Construction Bonds (QSCBs) to finance building construction and improvements. This issue is comprised of current interest term bonds, par value \$9,400,000.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund (a nonmajor governmental fund). \$9,172,423 of these bond proceeds were unspent at June 30, 2011.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2026. The following is a schedule of activity for the Series 2010A QSCBs:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Current interest bonds - 2010 A series	<u>\$ 9,400,000</u>		<u>\$ (145,000)</u>	<u>\$ 9,255,000</u>

For QSCBs, the District receives a direct payment subsidy from the United States Treasury equal to 100% of the lesser of the interest payments on the bonds or the federal tax credits that would otherwise have been available to the holders of the bonds. The District records this subsidy from the federal government in the debt service fund (a nonmajor governmental fund).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

\$3,000,000 of the QSCBs are subject to mandatory sinking fund deposits. The District is required to maintain a sinking fund account and deposit monies each December 1 into the account for payment of the bonds at maturity on December 1, 2026. During fiscal year 2011, the made \$31,363 in sinking fund deposits which represent the total deposits into the sinking fund since inception. The payments into the sinking fund are made through the debt service fund (a nonmajor governmental fund). On the financial statements, the fair value of the investments accumulated in the sinking fund in the amount of \$31,528 is reported as "cash and investments with escrow agent".

The following is a schedule of future sinking fund deposits required to be made into the District's sinking fund account:

Fiscal Year	Sinking Fund Required Deposit
2012	\$ 60,437
2013	65,713
2014	74,078
2015	80,187
2016	86,688
2017 - 2021	598,644
2022 - 2026	969,941
Total	<u>\$ 1,935,688</u>

The following is a summary of the future debt service requirements to maturity the \$3,000,000 portion of the QSCBs subject to the District's sinking fund account:

Fiscal Year Ending June 30,	<u>Current Interest Bonds - Series 2010A - Bullet Maturity</u>		
	Principal	Interest	Total
2012		\$ 45,000	\$ 45,000
2013		45,000	45,000
2014		45,000	45,000
2015		45,000	45,000
2016		45,000	45,000
2017 - 2021		225,000	225,000
2022 - 2026		225,000	225,000
2027	\$ 3,000,000	22,500	3,022,500
Total	<u>\$ 3,000,000</u>	<u>\$ 697,500</u>	<u>\$ 3,697,500</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of the future debt service on the remaining \$6,400,000 of the QSCBs:

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2010A - Term Bonds		
	Principal	Interest	Total
2012	\$ 260,000	\$ 91,875	\$ 351,875
2013	270,000	87,900	357,900
2014	290,000	83,700	373,700
2015	300,000	79,275	379,275
2016	315,000	74,662	389,662
2017 - 2021	1,865,000	295,312	2,160,312
2022 - 2026	2,505,000	131,437	2,636,437
2027	450,000	3,376	453,376
Total	<u>\$ 6,255,000</u>	<u>\$ 847,537</u>	<u>\$ 7,102,537</u>

- D. School Facilities Construction and Improvement Bonds - Series 2010B and 2010C:** On March 10, 2010, the District issued Series 2010B current interest serial bonds, par value \$565,000, Series 2010b capital appreciation bonds, par value \$249,991, and Series 2010C current interest Building America Bonds (BABs), par value \$13,195,000, to finance building construction and improvements. The interest rates on the current interest bonds range from .08% to 6.45%. The capital appreciation bonds mature on December 1, 2029 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,490,000. Total accreted interest of \$30,828 has been included in the statement of net assets at June 30, 2011. The proceeds of these bonds, along with the \$352,874 bond premium at issuance, were unspent at June 30, 2011.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond will be recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2037.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for the Series 2010B and Series 2010C bonds:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Current interest bonds -				
2010B serial	\$ 565,000			\$ 565,000
2010C BABs	13,195,000			13,195,000
Capital appreciation bonds -				
2010B	249,991			249,991
Capital appreciation bonds -				
Accreted interest	5,437	\$ 25,391		30,828
<b>Total</b>	<b>\$ 14,015,428</b>	<b>\$ 25,391</b>		<b>\$ 14,040,819</b>

The District receives a direct payment subsidy from the United States Treasury equal to thirty-five percent of the corresponding interest payments due on the BABs. The District records this subsidy from the federal government in the debt service fund (a nonmajor governmental fund).

The following is a summary of the future debt service requirements to maturity for the 2010B and Series 2010C bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 75,000	\$ 837,480	\$ 912,480			
2013	75,000	836,430	911,430			
2014	80,000	834,880	914,880			
2015	80,000	833,280	913,280			
2016	85,000	831,630	916,630			
2017 - 2021	465,000	4,114,591	4,579,591			
2022 - 2026	560,000	3,990,545	4,550,545			
2027 - 2031	2,590,000	3,600,510	6,190,510	\$ 249,991	\$ 1,240,009	\$ 1,490,000
2032 - 2036	6,540,000	2,132,838	8,672,838			
2037 - 2038	3,210,000	209,625	3,419,625			
<b>Total</b>	<b>\$ 13,760,000</b>	<b>\$ 18,221,809</b>	<b>\$ 31,981,809</b>	<b>\$ 249,991</b>	<b>\$ 1,240,009</b>	<b>\$ 1,490,000</b>

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**E. 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 used 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, 2011, are a voted debt margin of \$503,745 (including available funds of \$1,056,158) and an unvoted debt margin of \$252,362.

**NOTE 12 - 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:	Ohio School Plan		
Each occurrence		\$2,000,000	\$ -
Aggregate		4,000,000	-
Building and contents	Ohio School Plan	61,650,994	1,000
Fleet:	Ohio School Plan		
Comprehensive		1,000,000	1,000
Collision		1,000,000	1,000
Umbrella liability:	Ohio School Plan		
Each occurrence		included above	-
Aggregate		included above	-

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.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**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.

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 14. As such, no funding provisions are required by the District.

**C. Worker's Compensation**

For fiscal year 2011, the District participated in the Sheakley Workers' Compensation Group Retrospective Rating Plan (Group Retro). The intent of the Group Retro is to reward participants that are able to keep their individual claim costs below a predetermined amount. The District continues to pay their individual premium; however, the District will have the opportunity to receive retrospective premium adjustments (refunds or assessments) at the end of the three evaluation periods. The group's retrospective premium will be calculated at 12, 24, and 36 months after the end of the policy year. At the end of each period, the Bureau of Workers Comp (BWC) will take a snap-shot of the incurred claims losses for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, all the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by the BWC. Sheakley provides administrative, cost control and actuarial services to the Group Retro program.

The Group Retro program is accounted for the general fund which pays for all claims, claim reserves and administrative costs of the program. The general fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. The claims liability is recorded based on an actuarial determination of future claims. Claims activity for fiscal year 2011 follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
\$ -	\$ 883	\$ (883)	\$ -

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - 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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$333,130, \$348,726 and \$265,143, respectively; 53.99 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 13 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,198,704, \$1,170,959 and \$1,258,645, respectively; 82.90 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$30,233 made by the District and \$21,595 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$96,463, \$56,322 and \$163,011, respectively; 53.99 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$21,438, \$20,738 and \$21,877, respectively; 53.99 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$92,208, \$90,074 and \$96,819, respectively; 82.90 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget 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	\$ 648,583
Net adjustment for revenue accruals	233,100
Net adjustment for expenditure accruals	(301,536)
Net adjustment for other sources/uses	122,773
Funds budgeted elsewhere	(10,248)
Adjustment for encumbrances	<u>195,069</u>
GAAP basis	<u><u>\$ 887,741</u></u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the uniform school supplies fund, the special trust fund and the rotary fund.

**NOTE 16 - 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**

The District is party to legal proceedings, however they are vigorously challenging and an amount of potential liabilities is not known.



**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 17 - SET ASIDES**

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

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

	Textbooks	Capital Improvements
Set-aside balance June 30, 2010		
Current year set-aside requirement	\$ 303,248	\$ 303,248
Current year qualifying expenditures	(570,396)	(383,205)
Excess qualified expenditures from prior years	(336,353)	
Current year offsets		(431,687)
Total	\$ (603,501)	\$ (511,644)
Balance carried forward to fiscal year 2012		
Set-aside balance June 30, 2011		

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 18 - CONTRACTUAL COMMITMENTS**

On June 30, 2011, the District had the following contractual commitments outstanding related to the construction project described in Note 11. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2011</u>	<u>Remaining Contract Amount</u>
ACI Construction Company	\$ 1,005,297	\$ 486,727	\$ 518,570
Adena Corporation	8,896,500	-	8,896,500
Hi-Tech Electric	1,675,795	-	1,675,795
Oakland Plumbing	1,480,226	-	1,480,226
Telamon Construction Company	7,530,000	-	7,530,000
Vaughn Industries, LLC.	4,137,300	-	4,137,300
Vulcan Enterprises, Inc.	330,193	-	330,193
Warner Mechanical	1,494,818	-	1,494,818
Total	<u>\$ 26,550,129</u>	<u>\$ 486,727</u>	<u>\$ 26,063,402</u>

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 315,154
Classroom facilities	28,568,447
Other governmental	<u>547,187</u>
Total	<u>\$ 29,430,788</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b>	Federal		
<i>Pass Through Grantor</i>	CFDA		
Program Title	Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Nutrition Cluster:</u>			
National School Lunch Program			
Cash Assistance	10.555	\$297,613	\$297,613
Non-cash Assistance (Food Distribution)	10.555	<u>114,270</u>	<u>114,270</u>
<i>Total National School Lunch Program</i>		411,883	411,883
School Breakfast Program	10.553	<u>60,036</u>	<u>60,036</u>
Total U.S. Department of Agriculture		<u><b>471,919</b></u>	<u><b>471,919</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA Part B)	84.027	446,136	480,741
Special Education - Preschool Grant (IDEA Preschool)	84.173	19,424	21,110
ARRA - Special Education - Grants to States (IDEA Part B)	84.391	239,057	291,232
ARRA - Special Education - Preschool Grants (IDEA Preschool)	84.392	<u>9,558</u>	<u>9,347</u>
<i>Total Special Education Cluster</i>		714,175	802,430
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	319,215	355,304
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	<u>71,042</u>	<u>117,740</u>
<i>Total Title I Cluster</i>		390,257	473,044
Education Technology State Grants	84.318	2,568	975
Improving Teacher Quality State Grants	84.367	97,666	104,744
ARRA - State Fiscal Stabilization Fund – Education State Fund	84.394	690,783	690,783
ARRA - Race to the Top	84.395	10,666	6,723
Education Jobs Fund	84.410	<u>190,757</u>	<u>181,131</u>
<b>Total U.S. Department of Education</b>		<u><b>2,096,872</b></u>	<u><b>2,259,830</b></u>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<u><b>\$ 2,568,791</b></u>	<u><b>\$ 2,731,749</b></u>

*The accompanying notes are an integral part of this schedule.*

**BELLEVUE CITY SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Bellevue City School District's (the District's) Federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends Federal monies first.

**NOTE C - FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Bellevue City School District  
Huron County  
125 North Street, P.O. Box 8003  
Bellevue, Ohio 44811-8003

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellevue City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2012, wherein we noted the District adopted Government Accounting Standards Board Statement 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

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Bellevue City School District  
Huron County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page 2

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

March 12, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Bellevue City School District  
Huron County  
125 North Street, P.O. Box 8003  
Bellevue, Ohio 44811-8003

To the Board of Education:

### Compliance

We have audited the compliance of the Bellevue City School District, Huron County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Bellevue City School District, Huron County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 12, 2012



**BELLEVUE CITY SCHOOL DISTRICT  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Cluster - CFDA #84.010 and 84.389, Special Education Cluster - CFDA #84.027, 84.173, 84.391, and 84.392, State Fiscal Stabilization Fund - CFDA # 84.394, Education Jobs Fund - CFDA # 84.410.
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Bellevue City School District  
Huron County  
125 North Street, P.O. Box 8003  
Bellevue, Ohio 44811-8003

To the Board of Education:

Ohio Rev. Code, Section 117.53, states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Bellevue City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the District amended its anti-harassment policy at its meeting on July 15, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 12, 2012

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# Dave Yost • 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  
MARCH 29, 2012**