

**BELLEVUE CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street,
1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Bellevue City School District
125 North Street
Bellevue, Ohio 44811

We have reviewed the Independent Auditor's Report of the Bellevue City School District, Huron County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

March 27, 2001

**BELLEVUE CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Bellevue City School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.


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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bellevue City School District, as of June 30, 2000 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "G. B. Fink". The signature is stylized and cursive.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

February 23, 2001

BELLEVUE CITY SCHOOL DISTRICT
 HURON COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents		\$408,084	\$157,637		\$114,768	\$4,852	\$111,071			\$796,412
Receivables (net of allowances of uncollectibles):										
Taxes - current and delinquent Accounts	\$7,357,733		12,868	\$75,180						7,445,781
Due from other governments	4,808	2,611			32		30			7,481
Prepayments	11,068				223					11,291
Materials and supplies inventory	52,196				18,197					70,393
Restricted assets:										
Equity in pooled cash and cash equivalents	3,787									3,787
Fixed assets (net of accumulated depreciation where applicable)					21,790	460		\$12,360,837		12,383,087
OTHER DEBITS:										
Amount available in debt service fund									\$161,448	161,448
Amount to be provided for retirement of general long-term obligations									4,008,617	4,008,617
Total assets and other debits	<u>\$7,431,742</u>	<u>\$410,695</u>	<u>\$170,505</u>	<u>\$75,180</u>	<u>\$155,010</u>	<u>\$5,312</u>	<u>\$111,101</u>	<u>\$12,360,837</u>	<u>\$4,170,065</u>	<u>\$24,890,447</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$33,960	\$151,162		\$1,817	\$36,933	\$30	\$2,235			\$226,137
Accrued wages and benefits	1,331,217	19,743			34,949					1,385,909
Compensated absences payable	194,225	272			16,611			\$1,184,763		1,395,871
Pension obligation payable	228,444				35,367			113,489		377,300
Due to other governments	40,611	1,926			946					43,483
Deferred revenue	6,181,027		\$9,057	34,260	11,740					6,236,084
Due to students							100,438			100,438
General obligation bond payable								165,000		165,000
General obligation notes payable								195,695		195,695
Energy conservation notes payable								1,106,000		1,106,000
Tax anticipation notes payable	700,000									700,000
Obligations under capital lease									1,405,118	1,405,118
Total liabilities	8,709,484	173,103	9,057	36,077	136,546	30	102,673		4,170,065	13,337,035
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								\$12,360,837		12,360,837
Retained earnings: unreserved					18,464	5,282				23,746
Fund balances:										
Reserved for encumbrances	21,696	49,082					529			71,307
Reserved for prepayments	11,068									11,068
Reserved for materials and supplies inventory	52,196									52,196
Reserved for budget stabilization	3,787									3,787
Reserved for debt service			157,637							157,637
Reserved for tax revenue unavailable for appropriation	1,176,706		3,811	40,920						1,221,437
Unreserved-undesignated (deficit)	(2,543,195)	188,510		(1,817)			7,899			(2,348,603)
Total equity and other credits	(1,277,742)	237,592	161,448	39,103	18,464	5,282	8,428	12,360,837		11,553,412
Total liabilities, equity and other credits	\$7,431,742	\$410,695	\$170,505	\$75,180	\$155,010	\$5,312	\$111,101	\$12,360,837	\$4,170,065	\$24,890,447

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$6,760,801		\$265,607	\$224,724		\$7,251,132
Tuition	17,184					17,184
Earnings on investments	39,733	\$1,234			\$36	41,003
Extracurricular activities		154,837				154,837
Other local revenues	348,543	78,415		59,839	12,452	499,249
Intergovernmental - State	6,655,796	336,315	3,737	47,993		7,043,841
Intergovernmental - Federal		461,906				461,906
Total revenue	13,822,057	1,032,707	269,344	332,556	12,488	15,469,152
Expenditures:						
Current:						
Instruction:						
Regular	6,392,911	206,194			6,377	6,605,482
Special	1,088,411	297,389				1,385,800
Vocational	445,951					445,951
Other	257,310					257,310
Support services:						
Pupil	689,162	32,988			1,415	723,565
Instructional staff	572,564	69,979			2,330	644,873
Board of Education	15,592					15,592
Administration	1,550,429	66,764				1,617,193
Fiscal	405,818	5,323	1,863	9,693		422,697
Business	11,392					11,392
Operations and maintenance	1,292,113			195,396		1,487,509
Pupil transportation	711,614					711,614
Central	4,278	3,809				8,087
Community services	344,981	2,041				347,022
Extracurricular activities		169,117				169,117
Capital outlay	61,066					61,066
Intergovernmental pass-through		129,617				129,617
Debt service:						
Principal retirement	7,325		218,000	322,281		547,606
Interest and fiscal charges	36,761		81,173	70,851		188,785
Total expenditures	13,887,678	983,221	301,036	598,221	10,122	15,780,278
Excess (deficiency) of revenues over (under) expenditures	(65,621)	49,486	(31,692)	(265,665)	2,366	(311,126)
Other financing sources:						
Proceeds of capital lease transaction	61,066					61,066
Proceeds from sales of fixed assets	2,027					2,027
Total other financing sources	63,093					63,093
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(2,528)	49,486	(31,692)	(265,665)	2,366	(248,033)
Fund balances (deficits), July 1	(1,258,208)	188,106	193,140	304,768	6,062	(566,132)
Decrease in reserve for inventory	(17,006)					(17,006)
Fund balances (deficits), June 30	(\$1,277,742)	\$237,592	\$161,448	\$39,103	\$8,428	(\$831,171)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BELLEVUE CITY SCHOOL DISTRICT
 HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	\$6,549,120	\$6,546,086	(\$3,034)				\$59,111	\$38,286	(\$20,825)	\$460,060	\$437,415	(\$22,645)	\$7,068,291	\$7,021,787	(\$46,504)
Tuition	17,462	17,454	(8)										17,462	17,454	(8)
Earnings on investments	39,751	39,733	(18)	\$846	\$1,234	\$388							40,597	40,967	370
Extracurricular				104,475	152,424	47,949							104,475	152,424	47,949
Other local revenues	344,550	344,390	(160)	58,985	86,058	27,073				63,463	60,339	(3,124)	466,998	490,787	23,789
Intergovernmental - State	6,658,280	6,655,196	(3,084)	230,515	336,315	105,800	2,856	3,737	881	50,477	47,992	(2,485)	6,942,128	7,043,240	101,112
Intergovernmental - Federal				316,597	461,906	145,309							316,597	461,906	145,309
Total revenues	13,609,163	13,602,859	(6,304)	711,418	1,037,937	326,519	61,967	42,023	(19,944)	574,000	545,746	(28,254)	14,956,548	15,228,565	272,017
Expenditures:															
Current:															
Instruction:															
Regular	6,301,518	6,284,500	17,018	394,946	229,031	165,915							6,696,464	6,513,531	182,933
Special	1,079,165	1,077,029	2,136	330,660	302,059	28,601							1,409,825	1,379,088	30,737
Vocational	444,126	442,360	1,766										444,126	442,360	1,766
Other	319,284	272,313	46,971										319,284	272,313	46,971
Support services:															
Pupil	701,635	684,974	16,661	36,609	33,898	2,711							738,244	718,872	19,372
Instructional staff	579,992	569,949	10,043	95,810	70,318	25,492				393,132	393,132	0	1,068,934	1,033,399	35,535
Board of Education	18,336	15,350	2,986										18,336	15,350	2,986
Administration	1,580,170	1,541,552	38,618	81,280	75,583	5,697				24	0	24	1,661,474	1,617,135	44,339
Fiscal	413,346	399,757	13,589	5,381	5,381	0	1,865	1,820	45	9,400	9,392	8	429,992	416,350	13,642
Business	11,313	11,311	2										11,313	11,311	2
Operations and maintenance	1,308,915	1,263,190	45,725							193,922	193,922	0	1,502,837	1,457,112	45,725
Pupil transportation	792,429	764,552	27,877										792,429	764,552	27,877
Central	4,930	3,881	1,049	5,656	3,847	1,809							10,586	7,728	2,858
Community services				2,842	2,842	0							2,842	2,842	0
Extracurricular activities	346,039	343,612	2,427	205,700	201,955	3,745							551,739	545,567	6,172
Intergovernmental pass-through				148,659	131,486	17,173							148,659	131,486	17,173
Debt service:															
Principal retirement	203,480	203,480	0				55,000	55,000	0	134,520	134,520	0	393,000	393,000	0
Interest and fiscal charges	44,708	40,720	3,988				13,775	13,775	0	62,114	62,114	0	120,597	116,609	3,988
Total expenditures	14,149,386	13,918,530	230,856	1,307,543	1,056,400	251,143	70,640	70,595	45	793,112	793,080	32	16,320,681	15,838,605	482,076
Excess (deficiency) of revenues over (under) expenditures	(540,223)	(315,671)	224,552	(596,125)	(18,463)	577,662	(8,673)	(28,572)	(19,899)	(219,112)	(247,334)	(28,222)	(1,364,133)	(610,040)	754,093
Other financing sources:															
Proceeds of sale of fixed assets	2,028	2,027	(1)										2,028	2,027	(1)
Total other financing sources	2,028	2,027	(1)										2,028	2,027	(1)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(538,195)	(313,644)	224,551	(596,125)	(18,463)	577,662	(8,673)	(28,572)	(19,899)	(219,112)	(247,334)	(28,222)	(1,362,105)	(608,013)	754,092
Fund balances, July 1	236,248	236,248	0	193,675	193,675	0	186,208	186,208	0	246,984	246,984	0	863,115	863,115	0
Prior year encumbrances appropriated	26,355	26,355	0	40,305	40,305	0	0	0	0	350	350	0	67,010	67,010	0
Fund balances (deficits), June 30	(\$275,592)	(\$51,041)	\$224,551	(\$362,145)	\$215,517	\$577,662	\$177,535	\$157,636	(\$19,899)	\$28,222	\$0	(\$28,222)	(\$431,980)	\$322,112	\$754,092

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BELLEVUE CITY SCHOOL DISTRICT
 HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$32,773		\$32,773
Sales/charges for services	421,632	\$15,488	437,120
 Total operating revenues	454,405	15,488	469,893
Operating expenses:			
Personal services	293,405		293,405
Contract services	19,939		19,939
Materials and supplies	405,024	15,202	420,226
Depreciation	3,867	140	4,007
Other operating expenses	382	1,890	2,272
 Total operating expenses	722,617	17,232	739,849
 Operating (loss)	(268,212)	(1,744)	(269,956)
Nonoperating revenues (expenses):			
Operating grants	159,295		159,295
Federal donated commodities	81,203		81,203
Interest revenue	573	54	627
Loss on disposal of fixed assets	(361)		(361)
Miscellaneous nonoperating revenue	1,010	917	1,927
 Total nonoperating revenues (expenses)	241,720	971	242,691
 Net (loss)	(26,492)	(773)	(27,265)
 Retained earnings, July 1	44,956	6,055	51,011
 Retained earnings, June 30	\$18,464	\$5,282	\$23,746

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from tuition and fees	\$33,403		\$33,403
Cash received from sales/service charges	421,632	\$15,488	437,120
Cash payments for personal services	(277,185)		(277,185)
Cash payments for contract services	(19,829)		(19,829)
Cash payments for supplies and materials	(304,721)	(15,172)	(319,893)
Cash payments for other expenses	(382)	(1,890)	(2,272)
Net cash (used in) operating activities	<u>(147,082)</u>	<u>(1,574)</u>	<u>(148,656)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	184,957		184,957
Cash received from miscellaneous nonoperating activities	1,010	917	1,927
Net cash provided by noncapital financing activities	<u>185,967</u>	<u>917</u>	<u>186,884</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(5,115)		(5,115)
Net cash (used in) capital and related financing activities	<u>(5,115)</u>		<u>(5,115)</u>
Cash flows from investing activities:			
Interest received	573	54	627
Net cash provided by investing activities	<u>573</u>	<u>54</u>	<u>627</u>
Net increase (decrease) in cash and cash equivalents	34,343	(603)	33,740
Cash and cash equivalents at beginning of year	<u>80,425</u>	<u>5,455</u>	<u>85,880</u>
Cash and cash equivalents at end of year	<u>\$114,768</u>	<u>\$4,852</u>	<u>\$119,620</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:			
Operating (loss)	(268,212)	(1,744)	(269,956)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:			
Depreciation	3,867		3,867
Federal donated commodities used	81,203	140	81,343
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	6,451		6,451
Decrease in accounts receivable	630		630
Increase in accounts payable	12,759	30	12,789
Increase in accrued wages and benefits	5,857		5,857
Increase in compensated absences payable	3,423		3,423
Increase in due to other governments	41		41
Increase in pension obligation payable	6,899		6,899
Total adjustments	<u>121,130</u>	<u>170</u>	<u>121,300</u>
Net cash (used in) operating activities	<u>(\$147,082)</u>	<u>(\$1,574)</u>	<u>(\$148,656)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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 by the Constitution and laws of the State of Ohio or further mandated by state and/or federal agencies. This Board controls the District's nine instructional/support facilities staffed by 113 non-certificated employees and 180 certificated full-time teaching personnel to provide services to approximately 2,346 students and other community members.

The District was established in 1968 through the consolidation of existing land areas and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

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

The District is the 231st largest in the State of Ohio (among 660 public and community school districts) in terms of enrollment. It currently operates 5 elementary schools, 1 middle school, 1 comprehensive high school, 1 administration building and 1 bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

The definition of the reporting entity is based primarily on the notion of financial accountability. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the District's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. On the basis, the District has no component units. The following organizations are described due to their relationship with the District:

RELATED ORGANIZATION

Bellevue Public Library

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds and fiduciary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and the expendable trust fund).

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful for sound financial administration. The following are the District's proprietary fund types:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the District's fiduciary fund types:

Expendable Trust Fund - The expendable trust fund is used to account for in essentially the same manner as the governmental funds, using the same measurement focus and basis of accounting. The expendable trust fund accounts for assets where both the principal and interest may be spent.

Agency Fund - The agency fund is purely custodial in nature and thus does not involve the measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for agency fund accruals which, in another fund type, would be recognized in the Combined Balance Sheet.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Combined Balance Sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the Combined Balance Sheet. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds, the expendable trust fund and the agency fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include tuition, extracurricular activities, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenue. Property taxes measurable and available (available as an advance at year end) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

The District reports deferred revenue on its Combined Balance Sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as federal donated commodities nonoperating revenue.

D. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds other than agency funds. The specific timetable for fiscal year 2000 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. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as 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 Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended Certificate issued for fiscal year 2000.
4. By October 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures for all funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.
5. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which reallocated, decreased or increased the original appropriated amounts. During fiscal year 2000, supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and the GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 12 to the GPFS.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the Combined Balance Sheet.

During fiscal year 2000, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio) and Federal Home Loan Mortgage Corporation discount notes.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2000 amounted to \$39,733 which includes \$33,806 assigned from other District funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, 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.

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

F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepayments by using the consumption method. A current asset for the prepayment amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has not included infrastructure in the proprietary funds. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	5-12

I. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available (to the extent they are intended to finance the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
State School Bus Purchase Reimbursement

Debt Service Fund

State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Education Management and Information System
Title VI-B
Title I
Title VI
Drug-Free Schools
Local Professional Development Block Grant
Preschool
Eisenhower
Auxiliary Services
Venture Capital
Partnership Grant
SchoolNet Professional Development
Ohio Reads
Goals 2000
Safe School
Title VI-R

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

Reimbursable Grants

General Fund

Driver Education

Enterprise Funds

National and State School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 48% of the District's operating revenue during the 2000 fiscal year.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is 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 and all employees with twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The remaining balance of the liability is recorded in the general long-term obligations account group. Vacation and severance for employees meeting the above requirements who are paid from proprietary funds are recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. GAAP require the allocation of the debt liability among the general fund and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, materials and supplies inventory, debt service, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

M. Interfund Transactions

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. The District made no operating transfers in fiscal year 2000.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

N. Parochial Schools

Within the District boundaries, St. Mary's and St. Paul Elementary and St. Paul High School are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and distributed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The receipt and fiduciary liability of these State monies are reflected in a special revenue fund for financial reporting purposes.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 17 for detail of statutory reserves.

P. Estimates

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

Q. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

	<u>Deficit Fund Balance</u>
General Fund	\$(1,277,742)
<u>Special Revenue Funds</u>	
Education Management and Information System	(29)
Title VI	(43)

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balance in the general fund is primarily caused by the recognition of tax anticipation notes as a fund liability rather than as an "other financing source" and in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. This deficit will be eliminated as resources are provided for the retirement of the notes and by intergovernmental revenues and other subsidies not recognized and recorded at June 30.

The deficit fund balances in the Education Management and Information System and Title VI special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accruing wage obligations attributable to the fiscal year. These deficit fund balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Material Budgetary Violations

1. The following funds were found to have appropriations as adopted by the District's Board of Education in excess of estimated revenue as certified by the Sandusky County Budget Commission:

<u>Fund</u>	<u>Excess</u>
General	\$320,356
Public School Support	17,551
District Managed Activities	130,488
Auxiliary Services	127,933
Local Professional Development Block Grant	1,199
Education Management and Information System	48
Ohio Reads Grant	104,850
Eisenhower Grant	18,437
Title VI	1,614
SchoolNet	3,700
Uniform School Supplies	10,587

2. The District did not certify any of its appropriation measures, except for the temporary appropriation measure, with the Sandusky County Auditor. Consequently, Sandusky County Auditor did not file the certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate for any of the District's appropriation measures. As a result, except for the temporary appropriation measure, none of the District's appropriation measures were legally enacted.

3. The District's Board of Education unanimously authorized the spending of the amount set aside for the budget stabilization reserve, and the District experienced a deficit unreserved fund balance in the current fiscal year as defined in the District's five-year forecast. However, the District did not file an acceptable schedule for replenishing the budget stabilization set aside amount, and the District's Board of Education did not certify that the deficit was caused by one of the nine reasons identified in Ohio Administrative Code Section 3301-92-03-(D). As a result, the District improperly spent the amount of the budget stabilization reserve. See Note 17 for detail of the budget stabilization reserve.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized in the Combined Balance Sheet:

LIABILITIES

Accounts Payable	\$33,034
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the Combined Balance Sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Interim monies may be invested or deposited 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on hand: At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the Combined Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No.3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the District's deposits was \$595,640 and the bank balance was \$684,253. Of the bank balance:

1. \$190,930 was covered by federal depository insurance.
2. \$493,323 was held in collateral pools with no specification for whom such funds are held which is considered to be uninsured and uncollateralized as defined by GASB Statement No.3. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are categorized below to give an indication of the level of credit risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the District's name.

The District had an investment of \$204,509 in STAR Ohio at June 30, 2000. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents on the Combined Balance Sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 800,199	\$ 0
Investment of the cash management pool:		
Investment in STAR Ohio	(204,509)	204,509
Cash on hand	<u>(50)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ 595,640</u>	<u>\$204,509</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 5 - PROPERTY TAXES - (Continued)

Tangible personal property assessments are 25% of true value. The assessed value upon which the fiscal year 1999 taxes were collected was \$219,893,943. Agricultural/residential and public utility real estate represented \$134,347,090 or 61.09% of this total; commercial and industrial real estate represented \$25,080,420 or 11.41% of this total; public utility tangible represented \$16,054,290 or 7.30% of this total; and, general tangible property represented \$44,412,143 or 20.20% of this total. The voted general tax rate for general operations at the fiscal year ended June 30, 2000 was \$38.10 per \$1,000.00 of assessed valuation and \$2.50 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The District receives property taxes from Huron, Sandusky, Seneca and Erie Counties. The respective County Treasurers collect property tax on behalf of the District. The respective County Auditors periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$1,221,437 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 6 -RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as “due from other governments” on the Combined Balance Sheet. 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 fiscal year guarantee of Federal funds.

A summary of the items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$7,357,733
Accounts	4,808
Due from other governments	2,150
 <u>Special Revenue Funds</u>	
Accounts	2,611
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	12,868
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	75,180

NOTE 7 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>July 30, 2000</u>
Land/Improvements	\$862,079	\$ ---	\$ ---	\$862,079
Building/Improvements	6,818,984	113,725	---	6,932,079
Furniture/Equipment	3,400,106	170,922	(117,447)	3,453,581
Vehicles	<u>1,160,849</u>	<u>12,000</u>	<u>(60,381)</u>	<u>1,112,468</u>
Totals	<u>\$12,242,018</u>	<u>\$296,647</u>	<u>\$(177,828)</u>	<u>\$12,360,837</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 7 - FIXED ASSETS - (Continued)

A summary of the proprietary funds fixed assets at June 30, 2000 follows:

<u>Enterprise Funds</u>	
Furniture and equipment	\$ 88,972
Less: accumulated depreciation	<u>(67,182)</u>
Net fixed assets	<u>\$ 21,790</u>
 <u>Internal Service Fund</u>	
Furniture and equipment	\$ 3,440
Less: accumulated depreciation	<u>(2,980)</u>
Net fixed assets	<u>\$ 460</u>

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a capital lease agreement for a copier, school busses, school bus radios, computer equipment and telecommunications equipment. In the current year, the District entered into a capital lease for copier equipment. These leases meet the criteria of a 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 at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for All Governmental Fund Types and the Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2000 fiscal year totaled \$7,325 in the general fund and \$322,281 in the SchoolNet capital projects fund. This amount is reflected as debt service principal retirement in the general and capital projects funds.

The following is an analysis of the equipment under capital lease as of June 30, 2000:

	<u>General Fixed Assets</u>
Equipment	\$1,977,556
Carrying Value	\$1,977,556

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

<u>General Long-Term Obligations</u>	
<u>Year Ending June 30,</u>	<u>Amount</u>
2001	\$ 407,892
2002	407,892
2003	407,892
2004	309,609
2005	<u>9,840</u>
Total minimum lease payments	1,543,125
Less: amount representing interest	<u>(138,007)</u>
Present value of future minimum lease payments	<u><u>\$1,405,118</u></u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. The current obligation bond outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, the unmatured obligation is accounted for in the general long-term obligations account group. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The source of payment is derived from a current .3 mill bonded debt levy.

The following is a description of the District's bond outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 1999</u>	<u>Retired in 2000</u>	<u>Outstanding June 30, 2000</u>
Public Library Improvement	7.00%	12/01/87	12/01/02	<u>\$220,000</u>	<u>\$(55,000)</u>	<u>\$165,000</u>

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The unmatured obligations at year end are accounted for in the general long-term obligations account group.

The following is a description of the District's notes outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Principal Maturity Date</u>	<u>Outstanding July 1, 1999</u>	<u>Retired in 2000</u>	<u>Outstanding June 30, 2000</u>
General obligation notes	5.40%	03/26/97	12/01/04	\$ 234,695	\$ (39,000)	\$ 195,695
Energy conservation notes	5.15%	02/10/97	12/01/06	<u>1,230,000</u>	<u>(124,000)</u>	<u>1,106,000</u>
Total				<u>\$1,464,695</u>	<u>\$(163,000)</u>	<u>\$1,301,695</u>

C. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bond, the general obligation notes and the energy conservation notes:

<u>Year Ending June 30,</u>	<u>Principal on bond and notes</u>	<u>Interest on bond and notes</u>	<u>Total</u>
2001	\$ 226,000	\$ 72,701	\$ 298,701
2002	234,000	59,741	293,741
2003	242,000	46,369	288,369
2004	196,000	34,484	230,484
2005	205,695	24,041	229,736
2006	176,000	14,162	190,162
2007	<u>187,000</u>	<u>4,815</u>	<u>191,815</u>
Total	<u>\$1,466,695</u>	<u>\$256,313</u>	<u>\$1,723,008</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$19,790,455 (including available funds of \$161,448) and an unvoted debt margin of \$219,984.

E. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated absences	\$1,077,322	\$195,905	\$ (88,464)	\$1,184,763
Pension obligation payable	101,307	113,489	(101,307)	113,489
General obligation bond	220,000	---	(55,000)	165,000
General obligation notes	234,695	---	(39,000)	195,695
Energy conservation notes	1,230,000	---	(124,000)	1,106,000
Capital lease obligations	<u>1,673,658</u>	<u>61,066</u>	<u>(329,606)</u>	<u>1,405,118</u>
Total	<u>\$4,536,982</u>	<u>\$370,460</u>	<u>\$(737,377)</u>	<u>\$4,170,065</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 10 - TAX ANTICIPATION NOTES

During fiscal year 1999, the District issued tax anticipation notes for \$875,000. These notes are a general obligation of the district for which the full faith and credit is pledged for repayment. These notes are a liability of the general fund, which received the proceeds. The following is a description of the tax anticipation notes payable.

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 1999</u>	<u>Retired in 2000</u>	<u>Balance June 30, 2000</u>
<u>General Fund</u>						
Tax anticipation notes	10/02/98	12/01/03	4.5%	<u>\$875,000</u>	<u>\$(175,000)</u>	<u>\$700,000</u>

Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 2000 is as follows:

<u>Fiscal Year Ending June 30.</u>	<u>Principal On Note</u>	<u>Interest On Note</u>	<u>Total</u>
2001	\$175,000	\$27,562	\$202,562
2002	175,000	19,688	194,688
2003	175,000	11,812	186,812
2004	<u>175,000</u>	<u>3,938</u>	<u>178,938</u>
Totals	<u>\$700,000</u>	<u>\$63,000</u>	<u>\$763,000</u>

NOTE 11 - 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:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 11 - RISK MANAGEMENT - (Continued)

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Nationwide		
Each occurrence		\$ 2,000,000	\$ 0
Aggregate		\$ 5,000,000	\$ 0
Building and contents	Indiana Insurance	\$ 32,246,799	\$ 1,000
Fleet:	Nationwide		
Comprehensive		\$ 1,000,000	\$ 250
Collision		\$ 1,000,000	\$ 250
Umbrella liability	Nationwide	\$ 1,000,000	\$ 10,000

Settled claims have not exceeded commercial coverage in any of the past three years. There is not a significant reduction of coverage from the prior year.

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

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

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 \$1,000,000 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 Services Code 501C (9), investment income is tax exempt.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food services and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS - (Continued)

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenues	\$421,632	\$32,773	\$454,405
Depreciation	3,867	---	3,867
Operating (loss)	(259,907)	(8,305)	(268,212)
Operating grants	159,295	---	159,295
Federal donated commodities	81,203	---	81,203
Net (loss)	(18,187)	(8,305)	(26,492)
Fixed asset additions	5,115	---	5,115
Net working capital	(4,797)	1,471	(3,326)
Total assets	153,187	1,823	155,010
Total liabilities	136,194	352	136,546
Total equity	16,993	1,471	18,464
Encumbrances outstanding as of 06/30/00	36,684	---	36,684

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

**BELLEVUE CITY SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.70 percent was the portion to fund pension obligations. The contribution rates are established and may be amended by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$131,454, \$176,751, and \$169,382, respectively; 39 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$197,108, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$460,552, \$427,916, and \$695,030, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$180,192, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$613,998 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients statewide.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants statewide receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$193,302 during the 2000 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(313,644)	\$ (18,463)	\$ (28,572)	\$(247,334)
Net adjustment for revenue accruals	219,198	(5,230)	227,321	(213,190)
Net adjustment for expenditure accruals	(23,977)	(119,388)	(230,441)	194,859
Net adjustment for other financing sources/(uses)	61,066	---	---	---
Adjustment for encumbrances	<u>54,829</u>	<u>192,567</u>	<u>---</u>	<u>---</u>
GAAP basis	<u>\$ (2,528)</u>	<u>\$ 49,486</u>	<u>\$ (31,692)</u>	<u>\$(265,665)</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

There is no current litigation pending which would have a material effect on the financial statements.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$6,073,405 of school foundation support for its general fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 16 - CONTINGENCIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 17 - STATUTORY RESERVES - (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$ 93,226
Current year set-aside requirement	311,335	311,335	103,778
Current year offsets	0	(485,408)	0
Qualifying disbursements	(474,164)	(152,714)	0
Budget stabilization reserve disbursements	<u>0</u>	<u>0</u>	<u>(193,217)</u>
Set-aside cash balance as of June 30, 2000	<u>(162,829)</u>	<u>(326,787)</u>	<u>3,787</u>
Cash balance carried forward to FY 2001	<u><u>\$(162,829)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 3,787</u></u>

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero, this extra amount may be used to reduce the set-aside requirement of future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

Although the District's qualifying disbursements and offsets during the year in the capital acquisition set-aside reduced the balance to below zero, the negative amount may not be used to reduce set-aside requirements of future years. The negative amount will not be presented as being carried forward to the next fiscal year.

On June 15, 2000, the District obtained approval by a unanimous vote of the Board of Education to allow the District to utilize the budget stabilization reserve as needed for the operational and cash-flow needs of the District. The expenditures of the budget stabilization reserve represent the amount of the reserve used for operational purposes during fiscal year 2000.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$3,787</u>
Total restricted assets	<u>\$3,787</u>

As discussed in Note 3B3, the District improperly spent the amount of the budget stabilization reserve during fiscal year 2000. Had the District not spent the amount of the budget stabilization reserve, "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" and "Fund Balances: Reserved for Budget Stabilization" in the general fund would have amounted to \$197,004.

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

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

We have audited the general purpose financial statements of the Bellevue City School District, as of and for the year ended June 30, 2000, and have issued our report thereon dated February 23, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2000-1, 2000-2 and 2000-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

February 23, 2001

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

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

Compliance

We have audited the compliance of the Bellevue City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Bellevue City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2000-4.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

February 23, 2001

Bellevue City School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	10.550	----	\$73,164	\$81,203
National School Lunch Program	10.555	----	175,991	175,991
Total U.S. Department of Agriculture - Child Nutrition Cluster			249,155	257,194
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Eisenhower Professional Development State Grants	84.281	043596-MS-S1-2000	9,517	1,700
Eisenhower Professional Development State Grants	84.281	043596-MS-S1-2000P	8,919	1,010
Eisenhower Professional Development State Grants	84.281	043596-MS-S1-1999P	0	8,717
Eisenhower Professional Development State Grants	84.281	043596-MS-S1-1997C	0	1,264
Total Eisenhower			18,436	12,691
Innovative Education Program Strategies (ESEA Title VI)	84.298	043596-C2-S1-2000	13,401	11,908
Innovative Education Program Strategies (ESEA Title VI)	84.298	043596-C2-S1-1999C	1,824	1,502
Total Innovative Education Program Strategies			15,225	13,410
Title I Grants to Local Educational Agencies	84.010	043596-C1-S1-2000	186,600	138,321
Title I Grants to Local Educational Agencies	84.010	043596-C1-S1-1999C	0	37,059
Title I Grants to Local Educational Agencies	84.010	043596-C1-S1-1999	0	21,877
Total Title I			186,600	197,257
Safe and Drug-Free Schools and Communities - State Grants	84.186	043596-DR-S1-2000	10,145	9,142
Safe and Drug-Free Schools and Communities - State Grants	84.186	043596-DR-S1-1999	0	3,796
Total Safe and Drug-Free Schools			10,145	12,938
Class Size Reduction (Title VI-R)	84.340	043596-CR-S1-2000	45,309	40,247
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	043596-6B-SF-2000P	155,353	140,188
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	043596-6B-SF-1999P	0	8,730
Total Title VI-B Flow-Thru			155,353	148,918
Special Education - Preschool Grants	84.173	043596-PG-S1-2000P	19,838	19,410
Special Education - Preschool Grants	84.173	043596-PG-S1-1999P	0	2,584
Total Preschool Grants			19,838	21,994
Total Special Education Cluster			175,191	170,912
Goals 2000 - State and Local Educational Systemic Improvement Grants (Family and School Partnerships Grant)	84.276	043596-G2-S8-2000	9,000	4,339
Goals 2000 - State and Local Educational Systemic Improvement Grants (Family and School Partnerships Grant)	84.276	043596-G2-S4-1999P	0	3,010
<i>Passed Through Ohio Department of Education/Passed Through Mid-Ohio Educational Service Center:</i>				
Goals 2000 - State and Local Educational Systemic Improvement Grants (Regional Professional Development Center Grant)	84.276	123521-G2-S5-1999	2,000	2,000
Total Goals 2000			11,000	9,349
Total U.S. Department of Education			461,906	456,804
Total Federal Assistance			\$711,061	\$713,998

BELLEVUE CITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

BELLEVUE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	Yes

BELLEVUE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

(d)(1)(vii)	Major Program:	Title I Grants to Local Educational Agencies, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

A. Finding Number 2000-1

Section 5705.39, Revised Code, states, in part, that the total appropriation from each fund should not exceed the total estimated revenue.

The following funds were found to have appropriations as adopted by the District's Board of Education in excess of estimated revenue as certified by the Sandusky County Budget Commission:

<u>Fund</u>	<u>Excess</u>
General	\$320,356
Public School Support	17,551
District Managed Activities	130,488
Auxiliary Services	127,933
Local Professional Development Grant	1,199
Education Management Information System	48
Ohio Reads Grant	104,850
Eisenhower Grant	18,437
Title VI Grant	1,614
SchoolNet Plus	3,700
Uniform School Supplies	10,597

BELLEVUE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

Planned corrective action: Monthly appropriation modifications, additions, reductions and revenue increases or decreases will be made. Board approval will be gained along with a copy of such action sent to the county auditor with a request for certification of appropriations and a revised amended certificate if revenue changes were made.

B. Finding Number 2000-2

Section 5705.39, Revised Code, states, in part, that no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Section 5705.40, Revised Code, states, in part, that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

Our testing revealed that the District did not certify any of its appropriation measures, except for the temporary appropriation measure, with the Sandusky County Auditor. Consequently, the Sandusky County Auditor did not file the certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate for any of the District's appropriation measures.

As a result, except for the temporary appropriation measure, none of the District's appropriation measures were legally enacted.

Planned corrective action: Verify that the permanent appropriation measure was sent to the county auditor and keep on file the certification that was made by the county auditor. Continue to send all appropriation modifications, additions, reductions and revenue increases or decreases monthly to the county auditor for certification and/or revised amended certificate.

C. Finding Number 2000-3

Section 3301-92-03(D), Administrative Code, states, in part, that a board of education, by two thirds vote of all members of the board, may appropriate monies from the amount set aside for budget reserve if a school district experiences a deficit unreserved fund balance for the current fiscal year as defined in the school district's five-year forecast, the district files an acceptable schedule for replenishing the set aside amount, and the school board certifies that the deficit has been caused by one of the nine reasons identified in Section (D).

BELLEVUE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

It was discovered that the District's Board of Education unanimously authorized the spending of the amount set aside for budget reserve, and the District experienced a deficit unreserved fund balance for the current fiscal year as defined in the District's five-year forecast. However, the District did not file an acceptable schedule for replenishing the set aside amount, and the District's Board of Education did not certify that the deficit was caused by one of the nine reasons identified in Section (D).

As a result, the District improperly spent the amount set aside for budget reserve.

Planned corrective action: Budget reserve law as changed. The amount of reserve used in fiscal year 2000 does not now have to be replenished. The District will abide by the new law for all future budget reserves.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number 2000-4

CFDA Title and Number: Title I Grants to Local Educational Agencies, CDFA #84.010

Federal Award Number: 043596-C1-S1-1999C

Federal Agency: Department of Education

Pass-Through Agency: Ohio Department of Education

Title I requirements require final expenditure reports to be submitted for each project immediately after all financial obligations have been liquidated. The final expenditure report is due no later than sixty (60) days after the end of the project period.

Our testing revealed that the final expenditure report for the fiscal year 1999 carryover program was submitted by the District to the Ohio Department of Education on February 20, 2001. The final expenditure report should have been submitted no later than November 30, 2000.

We recommend that the District establish a tickler file that identifies the dates that reports are due. Future late filings could result in a temporary suspension of the flow of federal funds for the grant until the project is closed.

BELLEVUE CITY SCHOOL DISTRICT

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §315(c)**

FOR THE YEAR ENDED JUNE 30, 2000

Audit Finding Reference Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2000-4	A tickler file has been established that lists all dates that final expenditure reports are due.	February 20, 2001	Ms. Nancy L. Beier, Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
APRIL 3, 2001**