

**BELLEVUE CITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2001**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

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

We have reviewed the Independent Auditor's Report of the Bellevue City School District, Huron County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. 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

February 12, 2002

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**BELLEVUE CITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2001**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying general purpose financial statements of the Bellevue City School District (the District), as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2001 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3C to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. This results in a change to the District's accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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 with a large initial "G" and a long horizontal stroke.

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

December 20, 2001



*GENERAL PURPOSE FINANCIAL STATEMENTS*

**BELLEVUE CITY SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2001**

	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
<b><u>ASSETS AND OTHER DEBITS</u></b>										
<b>ASSETS:</b>										
Equity in pooled cash and cash equivalents	\$332,692	\$324,572	\$104,910	\$101,301	\$68,358	\$5,689	\$96,068			\$1,033,590
Receivables (net of allowances of uncollectibles):										
Taxes - current and delinquent	6,440,554			486,016						6,926,570
Accounts	55,931	2,316			668		1,346			60,261
Due from other governments	503				20,371					20,874
Claims and judgments receivable	43,490									43,490
Interfund loans receivable	1,591									1,591
Prepayments	10,951				459					11,410
Materials and supplies inventory	48,287				20,743					69,030
Fixed assets (net of accumulated depreciation where applicable)					19,551	360		\$12,578,668		12,598,579
<b>OTHER DEBITS:</b>										
Amount available in debt service fund									\$104,910	104,910
Amount to be provided for retirement of general long-term obligations										
									3,544,615	3,544,615
<b>Total assets and other debits</b>	<b><u>\$6,933,999</u></b>	<b><u>\$326,888</u></b>	<b><u>\$104,910</u></b>	<b><u>\$587,317</u></b>	<b><u>\$130,150</u></b>	<b><u>\$6,049</u></b>	<b><u>\$97,414</u></b>	<b><u>\$12,578,668</u></b>	<b><u>\$3,649,525</u></b>	<b><u>\$24,414,920</u></b>

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

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**BELLEVUE CITY SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 JUNE 30, 2001

	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
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>										
<b>LIABILITIES:</b>										
Accounts payable	\$124,297	\$105,419		\$57,806			\$4,862		\$292,384	
Accrued wages and benefits	1,318,744	64,185			\$33,498				1,416,427	
Compensated absences payable	197,999				22,252			\$1,239,473	1,459,724	
Pension obligation payable	237,972	5,256			30,276			112,057	385,561	
Due to other governments	43,063	3,015			1,037				47,115	
Interfund loans payable		913					678		1,591	
Deferred revenue	5,975,320			455,106	14,663				6,445,089	
Due to students							86,037		86,037	
General obligation bonds payable								110,000	110,000	
General obligation notes payable								156,695	156,695	
Energy conservation notes payable								974,000	974,000	
Tax anticipation notes payable	1,125,000								1,125,000	
Obligation under capital lease										
								1,057,300	1,057,300	
<b>Total liabilities</b>	<b>9,022,395</b>	<b>178,788</b>		<b>512,912</b>	<b>101,726</b>		<b>91,577</b>	<b>3,649,525</b>	<b>13,556,923</b>	
<b>EQUITY AND OTHER CREDITS:</b>										
Investment in general fixed assets							\$12,578,668		12,578,668	
Retained earnings: unreserved					28,424	\$6,049			34,473	
Fund balances:										
Reserved for encumbrances	95,812	93,188		51,741			893		241,634	
Reserved for prepayments	10,951								10,951	
Reserved for materials and supplies inventory	48,287								48,287	
Reserved for debt service			\$104,910						104,910	
Reserved for tax revenue unavailable for appropriation	515,234			30,910					546,144	
Unreserved-undesignated (deficit)	(2,758,680)	54,912		(8,246)			4,944		(2,707,070)	
<b>Total equity (deficit) and other credits</b>	<b>(2,088,396)</b>	<b>148,100</b>	<b>104,910</b>	<b>74,405</b>	<b>28,424</b>	<b>6,049</b>	<b>5,837</b>	<b>12,578,668</b>	<b>10,857,997</b>	
<b>Total liabilities, equity and other credits</b>	<b>\$6,933,999</b>	<b>\$326,888</b>	<b>\$104,910</b>	<b>\$587,317</b>	<b>\$130,150</b>	<b>\$6,049</b>	<b>\$97,414</b>	<b>\$12,578,668</b>	<b>\$3,649,525</b>	<b>\$24,414,920</b>

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 (DEFICITS)  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$6,370,502		\$6,532	\$456,294		\$6,833,328
Tuition	15,829					15,829
Earnings on investments	65,658	\$864		1	\$53	66,576
Extracurricular activities		160,055				160,055
Other local revenues	521,191	139,357			13,705	674,253
Other revenue	43,490					43,490
Intergovernmental - State	6,976,623	351,997	2,106	230,931		7,561,657
Intergovernmental - Federal	5,731	476,863				482,594
<b>Total revenues</b>	<b>13,999,024</b>	<b>1,129,136</b>	<b>8,638</b>	<b>687,226</b>	<b>13,758</b>	<b>15,837,782</b>
Expenditures:						
Current:						
Instruction:						
Regular	6,590,188	371,182			9,032	6,970,402
Special	1,656,085	339,134				1,995,219
Vocational	467,557					467,557
Other	62,372					62,372
Support services:						
Pupil	739,703	42,306			2,770	784,779
Instructional staff	563,643	101,824		147,728	4,347	817,542
Board of Education	16,350					16,350
Administration	1,294,137	3,018				1,297,155
Fiscal	430,349	9,153	251	9,609		449,362
Business	11,878					11,878
Operations and maintenance	1,513,795			10,421		1,524,216
Pupil transportation	855,653					855,653
Central		336				336
Community services		5,791			200	5,991
Extracurricular activities	389,549	205,394				594,943
Intergovernmental pass-through		143,090				143,090
Debt service:						
Principal retirement	96,313		94,000	383,505		573,818
Interest and fiscal charges	65,120		15,209	100,661		180,990
<b>Total expenditures</b>	<b>14,752,692</b>	<b>1,221,228</b>	<b>109,460</b>	<b>651,924</b>	<b>16,349</b>	<b>16,751,653</b>
Excess (deficiency) of revenues over (under) expenditures	(753,668)	(92,092)	(100,822)	35,302	(2,591)	(913,871)
Other financing sources (uses):						
Operating transfer in			44,284			44,284
Operating transfer (out)	(51,122)					(51,122)
Proceeds from sales of fixed assets	645					645
<b>Total other financing sources (uses)</b>	<b>(50,477)</b>		<b>44,284</b>			<b>(6,193)</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(804,145)	(92,092)	(56,538)	35,302	(2,591)	(920,064)
Fund balances (deficits), Restated, July 1	(1,280,342)	240,192	161,448	39,103	8,428	(831,171)
Decrease in reserve for inventory	(3,909)					(3,909)
<b>Fund balances (deficits), June 30</b>	<b>(\$2,088,396)</b>	<b>\$148,100</b>	<b>\$104,910</b>	<b>\$74,405</b>	<b>\$5,837</b>	<b>(\$1,755,144)</b>

**BELLEVUE CITY SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES (DEFICITS)  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2001

	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)
<b>Revenues:</b>															
From local sources:															
Taxes	\$7,673,657	\$7,038,152	(\$635,505)				\$12,319	\$10,387	(\$1,932)	\$506,313	\$466,604	(\$39,709)	\$8,192,289	\$7,515,143	(\$677,146)
Tuition	12,539	13,519	980										12,539	13,519	980
Earnings on investments	60,898	65,658	4,760	\$996	\$864	(\$132)					1	1	61,894	66,523	4,629
Other local revenues	430,821	464,496	33,675	347,478	301,695	(45,783)							778,299	766,191	(12,108)
Intergovernmental - State	6,472,825	6,978,774	505,949	216,991	351,997	135,006		2,106	2,106	188,422	230,931	42,509	6,878,238	7,563,808	685,570
Intergovernmental - Federal	4,849	5,228	379	549,229	476,863	(72,366)							554,078	482,091	(71,987)
Total revenues	<u>14,655,589</u>	<u>14,565,827</u>	<u>(89,762)</u>	<u>1,114,694</u>	<u>1,131,419</u>	<u>16,725</u>	<u>12,319</u>	<u>12,493</u>	<u>174</u>	<u>694,735</u>	<u>697,536</u>	<u>2,801</u>	<u>16,477,337</u>	<u>16,407,275</u>	<u>(70,062)</u>
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular	6,685,022	6,611,559	73,463	517,879	520,816	(2,937)				3,000	345	2,655	7,205,901	7,132,720	73,181
Special	1,742,806	1,686,663	56,143	354,857	303,405	51,452							2,097,663	1,990,068	107,595
Vocational	464,448	466,171	(1,723)										464,448	466,171	(1,723)
Other	65,077	62,163	2,914										65,077	62,163	2,914
Support services:															
Pupil	756,168	732,730	23,438	44,204	44,138	66							800,372	776,868	23,504
Instructional staff	589,824	574,123	15,701	144,862	110,557	34,305				444,271	443,608	663	1,178,957	1,128,288	50,669
Board of Education	15,755	17,611	(1,856)										15,755	17,611	(1,856)
Administration	1,309,476	1,302,812	6,664	50,204	19,788	30,416							1,359,680	1,322,600	37,080
Fiscal	440,350	437,663	2,687	9,130	9,130	0	1,600	294	1,306	9,909	9,909	0	460,989	456,996	3,993
Business	11,495	11,764	(269)										11,495	11,764	(269)
Operations and maintenance	1,542,708	1,601,395	(58,687)							12,238	12,238	0	1,554,946	1,613,633	(58,687)
Pupil transportation	763,680	837,798	(74,118)										763,680	837,798	(74,118)
Central				564	564	0							564	564	0
Community services				155,102	155,030	72							155,102	155,030	72
Extracurricular activities	352,009	393,458	(41,449)	219,145	217,979	1,166							571,154	611,437	(40,283)
Debt service:															
Principal retirement	1,014,000	1,014,000	0				55,000	55,000	0	132,000	132,000	0	1,201,000	1,201,000	0
Interest and fiscal charges	151,956	151,956	0				9,925	9,925	0	57,317	57,317	0	219,198	219,198	0
Total expenditures	<u>15,904,774</u>	<u>15,901,866</u>	<u>2,908</u>	<u>1,495,947</u>	<u>1,381,407</u>	<u>114,540</u>	<u>66,525</u>	<u>65,219</u>	<u>1,306</u>	<u>658,735</u>	<u>655,417</u>	<u>3,318</u>	<u>18,125,981</u>	<u>18,003,909</u>	<u>122,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,249,185)</u>	<u>(1,336,039)</u>	<u>(86,854)</u>	<u>(381,253)</u>	<u>(249,988)</u>	<u>131,265</u>	<u>(54,206)</u>	<u>(52,726)</u>	<u>1,480</u>	<u>36,000</u>	<u>42,119</u>	<u>6,119</u>	<u>(1,648,644)</u>	<u>(1,596,634)</u>	<u>52,010</u>
Other financing sources (uses):															
Refund of prior year's expenditures	51,024	55,012	3,988										51,024	55,012	3,988
Refund of prior year's (receipts)				(15)	(15)	0							(15)	(15)	0
Operating transfers in	2,275	2,453	178										2,275	2,453	178
Operating transfers (out)	(9,292)	(9,292)	0										(9,292)	(9,292)	0
Advances in				1,052	913	(139)							1,052	913	(139)
Advances (out)	(1,591)	(1,591)	0										(1,591)	(1,591)	0
Proceeds of notes	1,298,502	1,400,000	101,498										1,298,502	1,400,000	101,498
Proceeds of sale of fixed assets	598	645	47										598	645	47
Total other financing sources (uses)	<u>1,341,516</u>	<u>1,447,227</u>	<u>105,711</u>	<u>1,037</u>	<u>898</u>	<u>(139)</u>							<u>1,342,553</u>	<u>1,448,125</u>	<u>105,572</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>92,331</u>	<u>111,188</u>	<u>18,857</u>	<u>(380,216)</u>	<u>(249,090)</u>	<u>131,126</u>	<u>(54,206)</u>	<u>(52,726)</u>	<u>1,480</u>	<u>36,000</u>	<u>42,119</u>	<u>6,119</u>	<u>(306,091)</u>	<u>(148,509)</u>	<u>157,582</u>
Fund balances (deficits), July 1	(51,041)	(51,041)	0	215,517	215,517	0	157,636	157,636	0	0	0	0	322,112	322,112	0
Prior year encumbrances appropriated	54,829	54,829	0	192,567	192,567	0							247,396	247,396	0
Fund balances, June 30	<u>\$96,119</u>	<u>\$114,976</u>	<u>\$18,857</u>	<u>\$27,868</u>	<u>\$158,994</u>	<u>\$131,126</u>	<u>\$103,430</u>	<u>\$104,910</u>	<u>\$1,480</u>	<u>\$36,000</u>	<u>\$42,119</u>	<u>\$6,119</u>	<u>\$263,417</u>	<u>\$420,999</u>	<u>\$157,582</u>

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, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$31,864		\$31,864
Sales/charges for services	448,408	\$36,009	484,417
Total operating revenues	480,272	36,009	516,281
Operating expenses:			
Personal services	291,545		291,545
Contract services	24,772	233	25,005
Materials and supplies	377,039	32,237	409,276
Depreciation	4,633	100	4,733
Other operating expenses	552	2,672	3,224
Total operating expenses	698,541	35,242	733,783
Operating income (loss)	(218,269)	767	(217,502)
Nonoperating revenues:			
Operating grants	156,336		156,336
Federal donated commodities	64,661		64,661
Interest revenue	394		394
Total nonoperating revenues	221,391		221,391
Net income before operating transfers	3,122		3,122
Operating transfers in	6,838		6,838
Net income	9,960	767	10,727
Retained earnings, July 1	18,464	5,282	23,746
Retained earnings, June 30	\$28,424	\$6,049	\$34,473

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, 2001**

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$31,801		\$31,801
Cash received from sales/service charges	447,835	\$36,009	483,844
Cash payments for personal services	(292,355)		(292,355)
Cash payments for contract services	(25,530)	(233)	(25,763)
Cash payments for supplies and materials	(348,176)	(32,267)	(380,443)
Cash payments for other expenses	(788)	(2,672)	(3,460)
Net cash provided by (used in) operating activities	<u>(187,213)</u>	<u>837</u>	<u>(186,376)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	135,965		135,965
Cash received from operating transfers in	6,838		6,838
Net cash provided by noncapital financing activities	<u>142,803</u>		<u>142,803</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,394)		(2,394)
Net cash (used in) capital and related financing activities	<u>(2,394)</u>		<u>(2,394)</u>
Cash flows from investing activities:			
Interest received	394		394
Net cash provided by investing activities	<u>394</u>		<u>394</u>
Net increase (decrease) in cash and cash equivalents	(46,410)	837	(45,573)
Cash and cash equivalents at beginning of year	114,768	4,852	119,620
Cash and cash equivalents at end of year	<u>\$68,358</u>	<u>\$5,689</u>	<u>\$74,047</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$218,269)	\$767	(\$217,502)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation	4,633	100	4,733
Federal donated commodities used	64,661		64,661
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	377		377
Increase in accounts receivable	(636)		(636)
Increase in prepaids	(236)		(236)
Decrease in accounts payable	(36,933)	(30)	(36,963)
Decrease in accrued wages and benefits	(1,451)		(1,451)
Increase in compensated absences payable	5,641		5,641
Increase in due to other governments	91		91
Decrease in pension obligation payable	(5,091)		(5,091)
Net cash provided by (used in) operating activities	<u>(\$187,213)</u>	<u>\$837</u>	<u>(\$186,376)</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Bellevue City School District (the "District") operates under a locally-elected, five-member Board form of government and provides educational services as authorized or mandated by state and/or federal agencies. This Board controls the District's nine instructional/support facilities staffed by 109 non-certificated employees and 190 certificated full-time teaching personnel to provide services to approximately 2,305 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 237<sup>th</sup> largest in the State of Ohio (among 682 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.



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**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.

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, 2001

**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, 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, 2001

**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, 2001

**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.D. for agency fund accruals which, in another fund type, would be recognized in the Combined Balance Sheet.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

*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:

*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. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust 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, 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, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenue. Property taxes measurable and available (available as an advance at year end) are recognized as revenue.

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, as when grant monies are received prior to the incurrence of qualifying expenditures. 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

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.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**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 2001 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, 2001

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District 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 2001.
4. By July 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. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

8. 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 2001, supplemental appropriations were legally enacted by the Board during fiscal 2001, in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$ 848,602
Special Revenue Funds	30,411
Capital Projects Funds	(226,610)
Enterprise Funds	(80,860)
Expendable Trust Fund	5,996
Internal Service Fund	<u>23,980</u>
 TOTAL	 <u>\$ 601,519</u>

9. 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 17 provides a reconciliation of the budgetary and the GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 14 to the GPFS.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, 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 2001, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio).

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, 2001.

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 2001 amounted to \$65,658 which includes \$53,271 assigned from other District funds.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**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, 2001, 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.

**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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

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. 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, revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenues are both measurable and available. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. 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:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Reimbursement

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Non-Reimbursable Grants

General Fund

Teacher Training and Development

Special Revenue Funds

Education Management and  
Information System  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools  
Teacher Development  
Preschool  
Eisenhower  
Auxiliary Services

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

Non-Reimbursable Grants - (Continued)

Special Revenue Funds - (Continued)

Venture Capital  
Extended Learning Opportunity  
SchoolNet Professional Development  
Ohio Reads  
Data Communications  
Summer School  
Safe School  
Title VI-R

Capital Projects Fund

SchoolNet  
Interactive Video Distance Learning

Reimbursable Grants

General Fund

Driver Education  
Title XIX - Medical Assistance Program

Enterprise Funds

National and State School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 50% of the District's operating revenue during the 2001 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

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

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**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary 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, and tax revenue unavailable for appropriation. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. 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, 2001

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

**M. 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, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2000	\$(162,829)	\$ 0	\$ 3,787
Current year set-aside requirement	327,322	327,322	
Current year offsets		(509,114)	
Qualifying disbursements	(322,724)	(358,962)	
Moved per Board approval	_____	_____	<u>(3,787)</u>
Total	<u>(158,231)</u>	<u>(540,754)</u>	<u>0</u>
Cash balance carried forward to FY 2002	<u>\$(158,231)</u>	<u>\$ 0</u>	<u>\$ 0</u>

Although 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 District's qualifying disbursements during the year in the capital acquisition set-aside reduced the balance to below zero, however this amount may not be carried forward to future years.

Statute no longer requires the budget stabilization reserve and the District did not resolve to maintain it, therefore no assets are restricted.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**N. 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.
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.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**O. 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.

**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.

**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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Restatement of Beginning Fund Balance**

In the prior fiscal year, a receipt was recorded in the general fund that should have been recorded in the public school support fund, a special revenue fund type. The District has presented a restatement of beginning fund balance as follows:

	General	Special Revenue
Fund balance/deficit as previously reported, June 30, 2000	\$(1,277,742)	\$237,592
Effect of restatement	(2,600)	2,600
Restated fund balance/deficit at July 1, 2000	\$(1,280,342)	\$240,192

**B. Budgetary Violations**

The following funds and functions were found to have expenditures and encumbrances in excess of appropriations as adopted by the District's Board of Education:

Fund/Function	Excess
General Fund:	
Vocational Instruction	\$1,723
Board of Education	1,856
Business	269
Operations and Maintenance	58,687
Pupil Transportation	74,118
Extracurricular Activities	41,449
Special Revenue Funds:	
Regular Instruction	2,937

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

**C. Change in Accounting Principle**

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**D. Deficit Fund Balances**

	<u>Deficit Fund Balance</u>
General Fund	\$(2,088,396)
<u>Special Revenue Funds</u>	
Miscellaneous Federal Grants	(474)
Auxiliary Services	(10,755)
Management Information System	(52)

These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**E. Agency Fund**

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

Accounts Receivable	\$ 954
Accounts Payable	14,108

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**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.

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;

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

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

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.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

*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 \$288,590 and the bank balance was \$530,724. Of the bank balance:

1. \$202,005 was covered by federal depository insurance.
2. \$328,719 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 \$744,950 in STAR Ohio at June 30, 2001. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash, cash equivalents, and investments 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

A reconciliation between the classifications of cash, cash equivalents, and investments 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	\$1,033,590	
Investment of the cash management pool:		
Investment in STAR Ohio	(744,950)	\$744,950
Cash on hand	<u>(50)</u>	<u>          </u>
GASB Statement No. 3	<u>\$ 288,590</u>	<u>\$744,950</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan (Payable)</u>
General Fund	\$1,591	
Expendable Trust Fund		\$ (678)
<u>Special Revenue Funds</u>		
Eisenhower Grant	<u>          </u>	<u>(913)</u>
Total, All Funds	<u>\$1,591</u>	<u>\$(1,591)</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

B. The following is a reconciliation of the District's operating transfers for 2001:

Fund	Transfers In	Transfers (Out)
General Fund		\$(51,122)
Debt Service Fund	\$44,284	
<u>Enterprise Funds</u>		
Uniform School Supplies	6,838	_____
Total Transfers In/Transfers Out	<u>\$51,122</u>	<u>\$(51,122)</u>

**NOTE 6 - 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 value, and railroads, which are assessed at 29% of market value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue, which would otherwise have been collected.



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

The assessed values upon which the fiscal year 2001 taxes are collected are as follows:

	<u>2000 Second-Half Collections</u>		<u>2001 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$159,427,510	72.50	\$180,263,600	73.72
Public Utility Personal	16,054,290	7.30	15,721,510	6.43
Tangible Personal Property	<u>44,412,143</u>	<u>20.20</u>	<u>48,538,600</u>	<u>19.85</u>
	<u>\$219,893,943</u>	<u>100.00</u>	<u>\$244,523,710</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$38.10		\$37.50
Permanent Improvement		2.50		2.50

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 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 represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

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

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, 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. Available tax advances at June 30, 2001 totaled \$515,234 in the General fund and \$30,910 in the permanent improvement fund, a capital projects fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001 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 principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$6,440,554
Accounts	55,931
Claims and judgements	43,490
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	486,016
<u>Enterprise Funds</u>	
Due from other governments	20,371

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 8 - 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, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>July 30, 2001</u>
Land/improvements	\$ 862,079			\$ 862,079
Buildings/improvements	6,932,709		\$(31,377)	6,901,332
Furniture/equipment	3,453,581	\$199,180	(4,197)	3,648,564
Vehicles	<u>1,112,468</u>	<u>54,225</u>		<u>1,166,693</u>
Totals	<u>\$12,360,837</u>	<u>\$253,405</u>	<u>\$(35,574)</u>	<u>\$12,578,668</u>

A summary of the proprietary funds fixed assets at June 30, 2001 follows:

Enterprise Funds

Furniture and equipment	\$91,366
Less: accumulated depreciation	<u>(71,815)</u>
Net fixed assets	<u>\$19,551</u>

Internal Service Fund

Furniture and equipment	\$ 3,440
Less: accumulated depreciation	<u>(3,080)</u>
Net fixed assets	<u>\$ 360</u>

**NOTE 9 - NONCANCELABLE OPERATING LEASES**

The District leases modular classrooms under noncancelable operating leases. Total payments for these leases was \$49,004 for the year ended June 30, 2001, and is reported in the general fund. The future minimum lease payments as of June 30, 2001 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2002	\$ 55,704
2003	55,704
2004	<u>7,992</u>
Total	<u>\$119,400</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

In a prior years, the District entered into a capital lease agreement for copiers and telecommunications 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 (Deficits) 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 the amount of \$1,977,556, which is 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 2001 fiscal year totaled \$96,313 in the general fund, and \$251,505 in the permanent improvement capital projects fund. These amounts are 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, 2001:

Year Ending June 30	Amount
2002	\$ 407,892
2003	407,892
2004	309,609
2005	<u>9,840</u>
Total future minimum lease payments	1,135,233
Less: amount representing interest	<u>(77,933)</u>
Present value of future minimum lease payments	<u><u>\$1,057,300</u></u>

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A.** The current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District, for which the full faith and credit of the District is pledged for repayment. 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 .1 mill bonded debt levy.

The following is a description of the District's bond outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2000</u>	<u>Retired in 2001</u>	<u>Outstanding June 30, 2001</u>
Public Library Improvement	7.00%	12/01/87	12/01/02	<u>\$165,000</u>	<u>\$(55,000)</u>	<u>\$110,000</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.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the capital projects funds. Payments of principal and interest relating to the general obligation notes 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.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

The following is a description of the District's notes outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Principal Maturity Date</u>	<u>Outstanding July 1, 2000</u>	<u>Retired in 2001</u>	<u>Outstanding June 30, 2001</u>
General obligation notes	5.40%	03/26/97	12/01/04	\$ 195,695	\$ (39,000)	\$ 156,695
Energy conservation notes	5.15%	02/10/97	12/01/06	<u>1,106,000</u>	<u>(132,000)</u>	<u>974,000</u>
Total				<u>\$1,301,695</u>	<u>\$(171,000)</u>	<u>\$1,130,695</u>

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

<u>Year Ending June 30</u>	<u>Principal on bonds and notes</u>	<u>Interest on bonds and notes</u>	<u>Total</u>
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>\$1,240,695</u>	<u>\$183,612</u>	<u>\$1,424,307</u>

**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, 2001 are a voted debt margin of \$22,007,134 (including available funds of \$104,910), an unvoted debt margin of \$244,523 and an energy conservation margin of \$1,226,708.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

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

**E.** During the year ended June 30, 2001, 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.

	Balance <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2001</u>
Compensated absences	\$1,184,763	\$288,741	\$(234,031)	\$1,239,473
Pension obligation payable	113,489	112,057	(113,489)	112,057
General obligation bonds	165,000		(55,000)	110,000
General obligation notes	195,695		(39,000)	156,695
Energy conservation notes	1,106,000		(132,000)	974,000
Capital lease obligation	<u>1,405,118</u>		<u>(347,818)</u>	<u>1,057,300</u>
Total	<u>\$4,170,065</u>	<u>\$400,798</u>	<u>\$(921,338)</u>	<u>\$3,649,525</u>

**NOTE 12 - NOTES PAYABLE**

**A.** On July 14, 2000, the District authorized the issuance of a \$500,000 revenue anticipation note, in accordance with the provisions of the Ohio School Districts Cash Flow Borrowing Program. A similar note for \$300,000 was subsequently issued September 22, 2000. Both notes were repaid in June, 2001.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 12 - NOTES PAYABLE - (Continued)**

**B.** During fiscal year 1999, the District issued tax anticipation notes for \$875,000 and during fiscal year 2001, the District issued tax anticipation notes for \$600,000. 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 upon issuance.

The following is a description of the notes payable outstanding at June 30, 2001:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance June 30, 2000</u>	<u>Issued in 2001</u>	<u>Retired in 2001</u>	<u>Balance June 30, 2001</u>
<u>General Fund</u>							
Tax anticipation notes	4.5%	10/02/98	12/01/03	\$700,000		\$(175,000)	\$ 525,000
Tax anticipation notes	5.25%	04/26/01	12/01/06		\$ 600,000		600,000
General obligation note (Cash flow borrowing)	5.13%	07/14/00	6/25/01		500,000	(500,000)	0
General obligation note (Cash flow borrowing)	5.13%	09/22/00	6/25/01		<u>300,000</u>	<u>(300,000)</u>	<u>0</u>
Totals				<u>\$700,000</u>	<u>\$1,400,000</u>	<u>\$(975,000)</u>	<u>\$1,125,000</u>

Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 2001 is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2002	\$ 175,000	\$ 54,294	\$ 229,294
2003	324,979	40,903	365,882
2004	295,322	26,065	321,387
2005	126,778	15,672	142,450
2006	133,523	8,929	142,452
2007	<u>69,398</u>	<u>1,826</u>	<u>71,224</u>
Totals	<u>\$1,125,000</u>	<u>\$147,689</u>	<u>\$1,272,689</u>



**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 13 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 13 - RISK MANAGEMENT - (Continued)**

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

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

The Board of Trustees of the consortium, with assistance of actuarial analysis, establishes premium rates for medical, dental, and prescription drug insurance, based upon the specific plan negotiated by each member district and its employees. Premiums are placed in a Trust Fund controlled by the Board of Trustees and invested prudently to produce income which additionally benefits the consortium. The agreement of the Huron-Erie School Employee Insurance Association provides that the Huron-Erie School Employee Insurance Association will be self-sustaining through member premiums and will reinsure through commercial companies for all claims. The Huron-Erie School Employee Insurance Association retains the risk. The pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$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.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 16. As such, no funding provisions are required by the District.

**C. Worker's 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

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 14 - 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, 2001.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenues	\$ 448,408	\$31,864	\$ 480,272
Depreciation	4,633		4,633
Operating (loss)	(211,071)	(7,198)	(218,269)
Operating grants	156,336		156,336
Federal donated commodities	64,661		64,661
Operating transfers in		6,838	6,838
Net income (loss)	10,320	(360)	9,960
Fixed asset additions	2,394		2,394
Net working capital	30,014	1,111	31,125
Total assets	129,039	1,111	130,150
Long-term liabilities			
payable from fund revenues	22,252		22,252
Total liabilities	101,726		101,726
Total equity	27,313	1,111	28,424
Encumbrances outstanding as of 06/30/01	9,828		9,828

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 15 - 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.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 5.55 percent was the portion to fund pension obligations. The contribution rates are determined actuarially. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for pension obligations for the fiscal years ended June 30, 2001, 2000 and 1999 were \$179,017, \$131,454, and \$176,751, respectively; 40 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$192,681, representing the unpaid contribution for fiscal year 2001, 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 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 to STRS for pension obligations for the fiscal years ended June 30, 2001, 2000, and 1999 were \$775,054, \$460,552, and \$427,916, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$192,880, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through 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.

Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary 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. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$367,131 during fiscal 2001.

The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients statewide.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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% contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 8.45 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 2000 (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.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants statewide receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$140,220 during the 2001 fiscal year.

**NOTE 17 - 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 Revenue, Expenditures, and Changes in Fund Balances (Deficits) - 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);

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (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).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (e) The District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been reclassified accordingly.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 17 - 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:

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 111,188	\$(249,090)	\$(52,726)	\$ 42,119
Net adjustment for revenue accruals	(566,803)	(2,283)	(3,855)	(10,310)
Net adjustment for expenditure accruals	931,458	(5,399)	(44,241)	(55,689)
Net adjustment for other financing sources/(uses)	(1,497,704)	(898)	44,284	
Adjustment for encumbrances	<u>217,716</u>	<u>165,578</u>	<u>          </u>	<u>59,182</u>
GAAP basis	<u>\$ (804,145)</u>	<u>\$ (92,092)</u>	<u>\$(56,538)</u>	<u>\$ 35,302</u>



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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 18 - 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, 2001.

**B. Litigation**

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**C. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 18 - CONTINGENCIES - (Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**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, OH 44811

We have audited the general purpose financial statements of the Bellevue City School District (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 20, 2001. As discussed in Note 3C to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2001.

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.

A handwritten signature in black ink, appearing to read 'G. B. Fink', with a stylized flourish at the end.

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

December 20, 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, OH 44811

Compliance

We have audited the compliance of the Bellevue City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each of its major federal programs for the year ended June 30, 2001.


**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

December 20, 2001

**Bellevue City School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	10.550	---	\$67,582	\$64,661
National School Lunch Program	10.555	---	<u>129,443</u>	<u>129,443</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>197,025</u>	<u>194,104</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medicaid Cluster:				
Medical Assistance Program (Title XIX)	93.778	---	<u>5,228</u>	<u>5,228</u>
Total U.S. Department of Health and Human Services - Medicaid Cluster			<u>5,228</u>	<u>5,228</u>
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Eisenhower Professional Development State Grants	84.281	043596-MS-S1-2001	8,216	1,029
Eisenhower Professional Development State Grants	84.281	043596-MS-S1-2000	0	7,241
Eisenhower Professional Development State Grants	84.281	043596-MS-S1-2000P	0	7,909
Total Eisenhower			<u>8,216</u>	<u>16,179</u>
Innovative Education Program Strategies (ESEA Title VI)	84.298	043596-C2-S1-2001	12,649	12,327
Innovative Education Program Strategies (ESEA Title VI)	84.298	043596-C2-S1-2001	0	1,493
Innovative Education Program Strategies (ESEA Title VI)	84.298	043596-C2-S1-1999C	0	322
Total Innovative Education Program Strategies			<u>12,649</u>	<u>14,142</u>
Title I Grants to Local Educational Agencies	84.010	043596-C1-S1-2001	186,600	152,048
Title I Grants to Local Educational Agencies	84.010	043596-C1-S1-2000	0	48,279
Total Title I			<u>186,600</u>	<u>200,327</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	043596-DR-S1-2001	9,455	9,368
Safe and Drug-Free Schools and Communities - State Grants	84.186	043596-DR-S1-2000	0	1,004
Total Safe and Drug-Free Schools			<u>9,455</u>	<u>10,372</u>
Class Size Reduction (Title VI-R)	84.340	043596-CR-S1-2001	48,276	42,519
Class Size Reduction (Title VI-R)	84.340	043596-CR-S1-2000	0	5,062
Total Class Size Reduction			<u>48,276</u>	<u>47,581</u>
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	043596-6B-SF-2001P	191,737	164,153
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	043596-6B-SF-2000P	0	15,165
Total Title VI-B Flow-Thru			<u>191,737</u>	<u>179,318</u>
Special Education - Preschool Grants	84.173	043596-PG-S1-2001P	19,930	19,469
Special Education - Preschool Grants	84.173	043596-PG-S1-2000P	0	428
Total Preschool Grants			<u>19,930</u>	<u>19,897</u>
Total Special Education Cluster			<u>211,667</u>	<u>199,215</u>
Goals 2000 - State and Local Educational Systemic Improvement Grants (Family and School Partnerships Grant)	84.276	043596-G2-S4-2000	0	3,691
Total U.S. Department of Education			<u>476,863</u>	<u>491,507</u>
Total Federal Assistance			<u>\$679,116</u>	<u>\$690,839</u>

The notes to this Schedule are an integral part of this Schedule.

**BELLEVUE CITY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**

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

Nonmonetary 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, 2001, 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, 2001**

**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?	No
(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?	No

**BELLEVUE CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 §505**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
**(CONTINUED)**

(d)(1)(vii)	Major Programs:	Child Nutrition Cluster: Food Distribution, CFDA #10.550 and National School Lunch Program, CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

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

None

**BELLEVUE CITY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**OMB CIRCULAR A-133 §315(b)**  
**FOR THE YEAR ENDED JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected
2000-4	A final expenditure report involving the Title I Grants to Local Educational Agencies program was submitted late to the Ohio Department of Education.	Yes





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
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800-282-0370  
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**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  
FEBRUARY 21, 2002**