

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

*BASIC FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006*

**NANCY BEIER, TREASURER**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bellevue City School District, Huron County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 22, 2007

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**BELLEVUE CITY SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Bellevue City School District, Huron County (the "District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Bellevue City School District, Huron County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3B to the financial statements, the District restated capital assets due to errors and omissions in prior years.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Bellevue City School District  
Page Two

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
January 17, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The discussion and analysis of the Bellevue City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$41,021 which represents a 0.84% decrease from 2005.
- General revenues accounted for \$17,645,099 in revenue or 87.76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,460,852 or 12.24% of total revenues of \$20,105,951.
- The District had \$20,146,972 in expenses related to governmental activities; only \$2,460,852 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,645,099 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$17,365,997 in revenues and other financing sources and \$17,532,498 in expenditures and other financing uses. During fiscal 2006, the general fund's fund balance, decreased \$153,449 from \$1,058,852 to \$905,403.

**Using the Basic Financial Statements**

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

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

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-46 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities 2006	Restated Governmental Activities 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 10,426,208	\$ 10,915,492
Capital assets, net	<u>4,795,817</u>	<u>4,989,278</u>
Total assets	<u>15,222,025</u>	<u>15,904,770</u>
<b><u>Liabilities</u></b>		
Current liabilities	8,336,415	8,748,867
Long-term liabilities	<u>2,040,374</u>	<u>2,269,646</u>
Total liabilities	<u>10,376,789</u>	<u>11,018,513</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	4,431,390	4,443,007
Restricted	227,366	249,589
Unrestricted	<u>186,480</u>	<u>193,661</u>
Total net assets	<u>\$ 4,845,236</u>	<u>\$ 4,886,257</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$4,845,236.

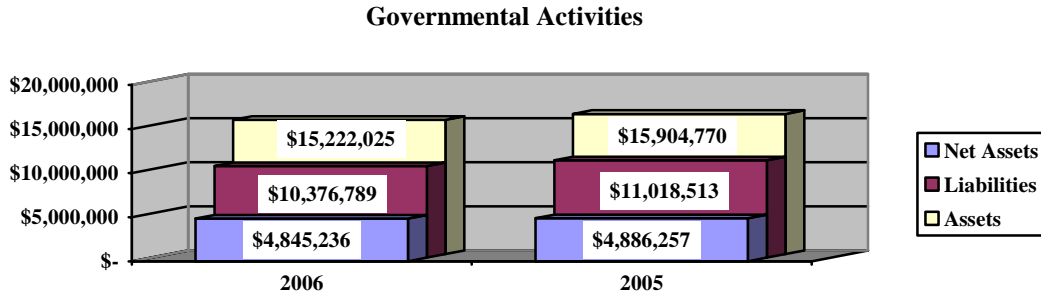
At year-end, capital assets represented 31.51% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$4,431,390. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$227,366, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$186,480 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the District's governmental activities assets, liabilities, and net assets for fiscal year 2006 and 2005.



The table below shows the change in net assets for fiscal year 2006 and 2005.

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,047,413	\$ 1,245,457
Operating grants and contributions	1,413,439	1,492,928
General revenues:		
Property taxes	7,386,675	8,143,271
School district income taxes	1,138,008	1,060,751
Grants and entitlements	8,637,916	8,221,205
Investment earnings	125,264	67,734
Other	<u>357,236</u>	<u>305,588</u>
 Total revenues	 <u>\$ 20,105,951</u>	 <u>\$ 20,536,934</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Change in Net Assets**

	Governmental Activities 2006	Restated Governmental Activities 2005
	<u>2006</u>	<u>2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 7,774,445	\$ 7,482,918
Special	2,588,911	2,413,282
Vocational	534,717	507,797
Adult	6,962	8,207
Other	374,482	359,972
Support services:		
Pupil	1,173,831	1,258,487
Instructional staff	1,024,513	1,116,493
Board of education	14,578	12,525
Administration	1,532,167	1,534,859
Fiscal	459,992	508,401
Business	11,422	14,908
Operations and maintenance	1,918,692	1,790,302
Pupil transportation	1,070,268	1,217,395
Central	50,723	10,085
Operations of non-instructional services	172,507	168,698
Food service operations	757,530	697,011
Extracurricular activities	645,395	671,726
Interest and fiscal charges	<u>35,837</u>	<u>55,433</u>
Total expenses	<u>20,146,972</u>	<u>19,828,499</u>
Change in net assets	(41,021)	708,435
Net assets at beginning of year (restated)	<u>4,886,257</u>	<u>4,177,822</u>
Net assets at end of year	<u>\$ 4,845,236</u>	<u>\$ 4,886,257</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$41,021. Total governmental expenses of \$20,146,972 were offset by program revenues of \$2,460,852 and general revenues of \$17,645,099. Program revenues supported 12.21% of the total governmental expenses.

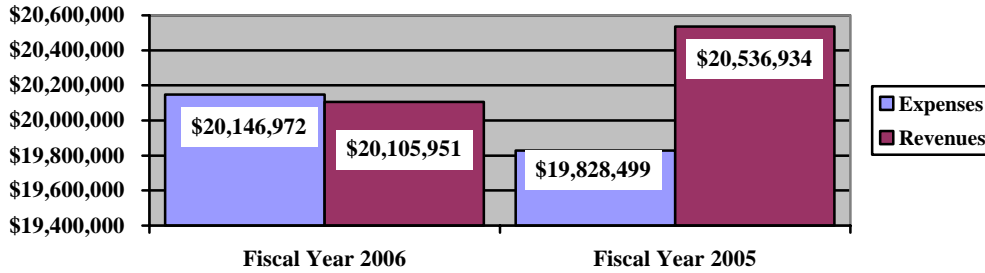
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 85.36% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

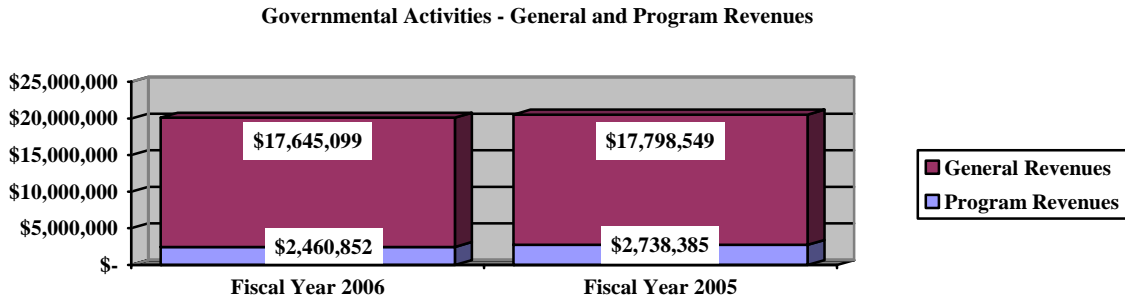
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,774,445	\$ 7,236,589	\$ 7,482,918	\$ 6,671,945
Special	2,588,911	2,162,908	2,413,282	1,997,296
Vocational	534,717	534,717	507,797	507,797
Adult	6,962	6,962	8,207	8,207
Other	374,482	374,482	359,972	359,972
Support services:				
Pupil	1,173,831	1,011,408	1,258,487	1,106,946
Instructional staff	1,024,513	790,673	1,116,493	820,952
Board of education	14,578	14,578	12,525	12,525
Administration	1,532,167	1,529,587	1,534,859	1,531,192
Fiscal	459,992	452,378	508,401	501,256
Business	11,422	11,422	14,908	14,908
Operations and maintenance	1,918,692	1,918,692	1,790,302	1,778,482
Pupil transportation	1,070,268	1,070,268	1,217,395	1,217,395
Central	50,723	50,723	10,085	10,085
Operations of non-instructional services	172,507	29,929	168,698	22,426
Food service operations	757,530	(1,415)	697,011	19,611
Extracurricular activities	645,395	456,382	671,726	453,686
Interest and fiscal charges	35,837	35,837	55,433	55,433
<b>Total expenses</b>	<u>\$ 20,146,972</u>	<u>\$ 17,686,120</u>	<u>\$ 19,828,499</u>	<u>\$ 17,090,114</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The dependence upon tax and other general revenues for governmental activities is apparent, 91.45% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.79%. The District's taxpayers, and state foundation, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,125,153, which is lower than last year's total of \$1,289,423. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	<u>(Decrease)</u>
General	\$ 905,403	\$ 1,058,852	\$ (153,449)
Other Governmental	<u>219,750</u>	<u>230,571</u>	<u>(10,821)</u>
Total	<u>\$ 1,125,153</u>	<u>\$ 1,289,423</u>	<u>\$ (164,270)</u>

**General Fund**

The District's general fund balance decreased \$153,449. The decrease in fund balance can be attributed to decreasing revenues being less than increasing expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The table below shows the General Funds revenues and expenditures for fiscal year 2006 and 2005.

	2006 <u>Amount</u>	2005 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 7,972,144	\$ 8,567,762	(6.95) %
Tuition	194,859	172,713	12.82 %
Earnings on investments	124,547	66,760	86.56 %
Intergovernmental	8,577,969	8,149,159	5.26 %
Other revenues	<u>453,735</u>	<u>602,497</u>	(24.69) %
Total	<u>\$ 17,323,254</u>	<u>\$ 17,558,891</u>	(1.34) %
<b><u>Expenditures</u></b>			
Instruction	\$ 10,262,805	\$ 9,752,830	5.23 %
Support services	6,689,867	6,694,093	(0.06) %
Operation of non-instructional services	20,545	21,694	(5.30) %
Extracurricular activities	404,071	426,171	(5.19) %
Facilities acquisition and construction	33,906	18,328	85.00 %
Capital outlay	42,743	72,529	(41.07) %
Debt service	<u>70,981</u>	<u>162,677</u>	(56.37) %
Total	<u>\$ 17,524,918</u>	<u>\$ 17,148,322</u>	2.20 %

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2006, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$17,258,475, which approximates the original budgeted revenues estimate of \$17,257,463. Actual revenues and other financing sources for fiscal 2006 were \$17,766,707. This represents a \$508,232 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$18,657,562 were left the same in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$18,066,608, which was \$590,954 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

Capital assets have been restated as of June 30, 2005 as described in Note 9.A. At the end of fiscal 2006, the District had \$4,795,817 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The following table shows fiscal 2006 balances compared to 2005:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2006</u>	<u>Restated 2005</u>
Land	\$ 862,079	\$ 862,079
Land improvements	219,810	116,794
Building and improvements	2,456,723	2,587,859
Furniture and equipment	560,863	669,676
Vehicles	<u>696,342</u>	<u>752,870</u>
<b>Total</b>	<b><u>\$ 4,795,817</u></b>	<b><u>\$ 4,989,278</u></b>

Total additions to capital assets for 2006 were \$262,922. The overall decrease in capital assets of \$193,461 is primarily due to depreciation expense of \$438,557 and disposals of \$17,826 (net of accumulated depreciation) exceeding capital outlays for fiscal 2006.

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

***Debt Administration***

At June 30, 2006, the District had \$256,399 in tax anticipation notes and energy conservation notes, and \$177,427 in capital lease obligations outstanding. Of this total, \$311,176 is due within one year and \$122,650 is due in greater than one year. The following table summarizes the notes outstanding.

<b>Outstanding Debt, at Year End</b>		
	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Energy conservation notes	\$ 187,000	\$ 363,000
Tax anticipation notes	69,399	202,921
Capital lease obligations	<u>177,427</u>	<u>183,271</u>
<b>Total</b>	<b><u>\$ 433,826</u></b>	<b><u>\$ 749,192</u></b>

At June 30, 2006, the District's overall legal debt margin was \$23,223,156 with an unvoted debt margin of \$258,035.

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

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

The District closely monitors its revenues and expenditures in accordance with its financial forecast. A half percent school district income tax was passed February 2001 with hopes of not needing any additional operating levies for many years. Economic events do affect the District. Unfortunately, the income tax revenue collections have fallen below the forecasted amounts due to the downturn in the economy. This downturn also affects the personal tangible tax collection. These items, in addition to recent reductions in state funding, the loss of tax revenue from business inventories and (loss of personal property tax reimbursements from the state) contribute to the minimal growth anticipated in our revenue. The Board of Education and Administration continue to keep spending within our budgeted expenditure levels and keep a very close watch on revenue. With the District's revenue growth not keeping up with the increase in expenditures, the District will most likely ask the voters to approve additional millage in calendar year 2007.

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 2,137,041
Receivables:	
Taxes . . . . .	7,992,841
Accounts . . . . .	133,179
Intergovernmental . . . . .	59,424
Accrued interest . . . . .	3,674
Prepayments . . . . .	16,046
Materials and supplies inventory . . . . .	84,003
Capital assets:	
Land . . . . .	862,079
Depreciable capital assets, net . . . . .	3,933,738
Capital assets, net . . . . .	4,795,817
 Total assets . . . . .	 15,222,025
<b>Liabilities:</b>	
Accounts payable . . . . .	84,872
Contracts payable . . . . .	8,728
Accrued wages and benefits . . . . .	1,624,669
Pension obligation payable . . . . .	466,573
Intergovernmental payable . . . . .	69,250
Deferred revenue . . . . .	6,081,253
Accrued interest payable . . . . .	1,070
Long-term liabilities:	
Due within one year . . . . .	613,261
Due in more than one year . . . . .	1,427,113
Total liabilities . . . . .	10,376,789
<b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	4,431,390
Restricted for:	
Capital projects . . . . .	169,601
Locally funded programs . . . . .	7,117
State funded programs . . . . .	7,238
Federally funded programs . . . . .	478
Student activities . . . . .	42,932
Unrestricted . . . . .	186,480
Total net assets . . . . .	\$ 4,845,236

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Expenses</b>				
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 7,774,445	\$ 431,187	\$ 106,669	\$ (7,236,589)
Special . . . . .	2,588,911	-	426,003	(2,162,908)
Vocational . . . . .	534,717	-	-	(534,717)
Adult . . . . .	6,962	-	-	(6,962)
Other . . . . .	374,482	-	-	(374,482)
Support services:				
Pupil . . . . .	1,173,831	-	162,423	(1,011,408)
Instructional staff . . . . .	1,024,513	-	233,840	(790,673)
Board of education . . . . .	14,578	-	-	(14,578)
Administration . . . . .	1,532,167	-	2,580	(1,529,587)
Fiscal . . . . .	459,992	-	7,614	(452,378)
Business . . . . .	11,422	-	-	(11,422)
Operations and maintenance . . . . .	1,918,692	-	-	(1,918,692)
Pupil transportation . . . . .	1,070,268	-	-	(1,070,268)
Central . . . . .	50,723	-	-	(50,723)
Operation of non-instructional services . . . . .	172,507	-	142,578	(29,929)
Food service operations . . . . .	757,530	427,231	331,714	1,415
Extracurricular activities . . . . .	645,395	188,995	18	(456,382)
Interest and fiscal charges . . . . .	35,837	-	-	(35,837)
Total governmental activities . . . . .	<u>\$ 20,146,972</u>	<u>\$ 1,047,413</u>	<u>\$ 1,413,439</u>	<u>(17,686,120)</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				6,891,806
Capital projects . . . . .				494,869
School district income tax . . . . .				1,138,008
Grants and entitlements not restricted to specific programs . . . . .				8,637,916
Investment earnings . . . . .				125,264
Miscellaneous . . . . .				357,236
				17,645,099
Total general revenues . . . . .				17,645,099
Change in net assets . . . . .				(41,021)
<b>Net assets at beginning of year (restated) .</b>				<b>4,886,257</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 4,845,236</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,740,837	\$ 396,204	\$ 2,137,041
Receivables:			
Taxes . . . . .	7,464,754	528,087	7,992,841
Accounts . . . . .	129,546	3,633	133,179
Intergovernmental . . . . .	-	59,424	59,424
Accrued interest . . . . .	3,674	-	3,674
Interfund loan receivable . . . . .	40,190	-	40,190
Prepayments . . . . .	15,672	374	16,046
Materials and supplies inventory . . . . .	63,058	20,945	84,003
<b>Total assets . . . . .</b>	<b><u>\$ 9,457,731</u></b>	<b><u>\$ 1,008,667</u></b>	<b><u>\$ 10,466,398</u></b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 70,779	\$ 14,093	\$ 84,872
Contracts payable . . . . .	-	8,728	8,728
Accrued wages and benefits . . . . .	1,454,173	170,496	1,624,669
Compensated absences payable . . . . .	392,183	4,892	397,075
Pension obligation payable . . . . .	406,077	60,496	466,573
Interfund loan payable . . . . .	-	40,190	40,190
Intergovernmental payable . . . . .	62,856	6,394	69,250
Tax anticipation note payable . . . . .	69,399	-	69,399
Accrued interest payable . . . . .	305	-	305
Deferred revenue . . . . .	6,096,556	483,628	6,580,184
<b>Total liabilities . . . . .</b>	<b><u>8,552,328</u></b>	<b><u>788,917</u></b>	<b><u>9,341,245</u></b>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	122,739	32,278	155,017
Reserved for materials and supplies inventory . . . . .	63,058	20,945	84,003
Reserved for property tax unavailable for appropriation . . . . .	992,703	73,975	1,066,678
Reserved for prepayments . . . . .	15,672	374	16,046
Unreserved, undesignated, (deficit) reported in:			
General fund . . . . .	(288,769)	-	(288,769)
Special revenue funds . . . . .	-	38,300	38,300
Capital projects funds . . . . .	-	53,878	53,878
<b>Total fund balances . . . . .</b>	<b><u>905,403</u></b>	<b><u>219,750</u></b>	<b><u>1,125,153</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 9,457,731</u></b>	<b><u>\$ 1,008,667</u></b>	<b><u>\$ 10,466,398</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$	1,125,153
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,795,817
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	469,415	
Intergovernmental revenue		29,516	
Total			498,931
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(765)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Energy conservation notes		(187,000)	
Capital lease obligation		(177,427)	
Compensated absences		(1,209,473)	
Total			(1,573,900)
<b>Net assets of governmental activities</b>		\$	4,845,236

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 7,972,144	\$ 487,670	\$ 8,459,814
Tuition. . . . .	194,859	-	194,859
Charges for services. . . . .	-	427,231	427,231
Earnings on investments. . . . .	124,547	717	125,264
Extracurricular. . . . .	23,400	188,995	212,395
Classroom materials and fees . . . . .	71,508	34,109	105,617
Other local revenues. . . . .	358,827	105,720	464,547
Intergovernmental - State . . . . .	8,572,745	253,050	8,825,795
Intergovernmental - Federal . . . . .	5,224	1,250,898	1,256,122
Total revenue . . . . .	<u>17,323,254</u>	<u>2,748,390</u>	<u>20,071,644</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	7,249,634	286,770	7,536,404
Special. . . . .	2,127,456	440,767	2,568,223
Vocational. . . . .	504,271	-	504,271
Adult . . . . .	6,962	-	6,962
Other . . . . .	374,482	-	374,482
Support services:			
Pupil. . . . .	1,021,080	168,170	1,189,250
Instructional staff . . . . .	764,679	253,191	1,017,870
Board of education . . . . .	14,578	-	14,578
Administration. . . . .	1,525,697	6,574	1,532,271
Fiscal . . . . .	451,834	19,316	471,150
Business . . . . .	11,422	-	11,422
Operations and maintenance. . . . .	1,870,756	39,893	1,910,649
Pupil transportation . . . . .	979,154	-	979,154
Central. . . . .	50,667	-	50,667
Operation of non-instructional services . . . . .	20,545	151,410	171,955
Food service operations . . . . .	-	759,695	759,695
Extracurricular activities. . . . .	404,071	224,055	628,126
Facilities acquisition and construction . . . . .	33,906	234,727	268,633
Capital outlay . . . . .	42,743	-	42,743
Debt service:			
Principal retirement . . . . .	48,587	176,000	224,587
Interest and fiscal charges . . . . .	22,394	14,163	36,557
Total expenditures . . . . .	<u>17,524,918</u>	<u>2,774,731</u>	<u>20,299,649</u>
Excess of revenues under expenditures. . . . .	(201,664)	(26,341)	(228,005)
<b>Other financing sources (uses):</b>			
Capital lease transactions. . . . .	42,743	-	42,743
Transfers in . . . . .	-	197,743	197,743
Transfers (out). . . . .	(7,580)	(190,163)	(197,743)
Total other financing sources (uses) . . . . .	<u>35,163</u>	<u>7,580</u>	<u>42,743</u>
Net change in fund balances . . . . .	(166,501)	(18,761)	(185,262)
<b>Fund balances at beginning of year. . . . .</b>	<b>1,058,852</b>	<b>230,571</b>	<b>1,289,423</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>13,052</b>	<b>7,940</b>	<b>20,992</b>
<b>Fund balances at end of year. . . . .</b>	<b><u>\$ 905,403</u></b>	<b><u>\$ 219,750</u></b>	<b><u>\$ 1,125,153</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Net change in fund balances - total governmental funds** \$ (185,262)

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

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

Capital asset additions	\$	262,922	
Current year depreciation		<u>(438,557)</u>	
Total			(175,635)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (17,826)

Proceeds of capital lease transactions are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (42,743)

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

Taxes		64,869	
Intergovernmental		<u>(30,562)</u>	
Total			34,307

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 20,992

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 224,587

In the statement of activities, interest is accrued on notes outstanding, whereas in governmental funds, an interest expenditure is reported when due. 720

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 99,839

**Change in net assets of governmental activities** \$ (41,021)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 8,213,415	\$ 8,213,897	\$ 8,455,781	\$ 241,884
Tuition. . . . .	193,578	193,589	199,290	5,701
Earnings on investments. . . . .	114,683	114,689	118,067	3,378
Extracurricular. . . . .	22,729	22,731	23,400	669
Classroom materials and fees . . . . .	69,288	69,292	71,333	2,041
Other local revenues. . . . .	242,533	242,548	249,690	7,142
Intergovernmental - State . . . . .	8,327,026	8,327,514	8,572,745	245,231
Intergovernmental - Federal. . . . .	7,231	7,231	7,444	213
Total revenue . . . . .	<u>17,190,483</u>	<u>17,191,491</u>	<u>17,697,750</u>	<u>506,259</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,478,973	7,478,973	7,298,007	180,966
Special. . . . .	2,197,595	2,197,595	2,216,068	(18,473)
Vocational. . . . .	524,607	524,607	520,131	4,476
Adult. . . . .	8,910	8,910	7,047	1,863
Other . . . . .	400,769	400,769	374,419	26,350
Support services:				
Pupil. . . . .	1,144,968	1,144,968	1,043,187	101,781
Instructional staff . . . . .	820,875	820,875	804,342	16,533
Board of education . . . . .	16,165	16,165	15,019	1,146
Administration. . . . .	1,622,584	1,622,584	1,610,240	12,344
Fiscal . . . . .	513,850	513,850	457,904	55,946
Business . . . . .	15,170	15,170	11,283	3,887
Operations and maintenance. . . . .	2,044,065	2,044,065	1,934,317	109,748
Pupil transportation . . . . .	1,120,829	1,120,829	1,050,703	70,126
Central. . . . .	10,382	10,382	48,456	(38,074)
Operation of non-instructional. . . . .	23,000	23,000	20,544	2,456
Extracurricular activities. . . . .	446,653	446,653	414,981	31,672
Facilities acquisition and construction. . . . .	54,716	54,716	49,739	4,977
Total expenditures . . . . .	<u>18,444,111</u>	<u>18,444,111</u>	<u>17,876,387</u>	<u>567,724</u>
Excess of revenues over (under) expenditures. . . . .	<u>(1,253,628)</u>	<u>(1,252,620)</u>	<u>(178,637)</u>	<u>1,073,983</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	1,772	1,772	1,825	53
Transfers (out) . . . . .	(148,451)	(148,451)	(150,031)	(1,580)
Advances in. . . . .	63,357	63,361	65,227	1,866
Advances (out) . . . . .	(65,000)	(65,000)	(40,190)	24,810
Sale of capital assets. . . . .	1,851	1,851	1,905	54
Total other financing sources (uses) . . . . .	<u>(146,471)</u>	<u>(146,467)</u>	<u>(121,264)</u>	<u>25,203</u>
Net change in fund balance . . . . .	(1,400,099)	(1,399,087)	(299,901)	1,099,186
<b>Fund balance at beginning of year. . . . .</b>	1,645,751	1,645,751	1,645,751	-
<b>Prior year encumbrances appropriated . . . . .</b>	195,037	195,037	195,037	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 440,689</u>	<u>\$ 441,701</u>	<u>\$ 1,540,887</u>	<u>\$ 1,099,186</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2006

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	103,953
Receivables:		
Accounts . . . . .		205
Total assets. . . . .	\$	104,158
<b>Liabilities:</b>		
Accounts payable. . . . .	\$	4,824
Due to students . . . . .		99,334
Total liabilities . . . . .	\$	104,158

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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 102 non-certificated employees and 183 certificated teaching personnel to provide services to approximately 2,360 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 224th largest in the State of Ohio (among 615 public school districts) in terms of enrollment. It currently operates 5 elementary schools, 1 middle school, 1 comprehensive high school, 1 administration building and 1 bus garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organizations resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

*RELATED ORGANIZATION*

Bellevue Public Library

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

*JOINTLY GOVERNED ORGANIZATIONS*

Bay Area Council of Governments (BACG)

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

Northern Ohio Educational Computer Association (NOECA)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*PUBLIC ENTITY RISK POOL*

Sheakley Workers' Compensation Group Rating Plan

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Budgets**

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**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 first and final Amended Certificates issued for fiscal year 2006.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2006. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**F. Cash and Investments**

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

The District has invested funds in STAR Ohio during fiscal 2006. 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, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, public schools support fund, permanent improvement fund and building fund individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$124,547, which includes \$7,613 assigned from other District funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2006, net assets restricted by enabling legislation was zero in the statement of net assets.

**N. Prepayments**

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other government or imposed by enabling legislation. The District does not have any restricted assets as of June 30, 2006.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2006, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**B. Restatement of Net Assets**

The beginning net assets of the governmental activities have been restated due to errors and omissions reported in previous years. The adjustment for capital assets had the following effect on net assets as previously reported:

	Governmental Activities
Net assets, July 1, 2005	\$ 4,645,809
Adjustment for capital assets	240,448
Restated net assets, July 1, 2005	\$ 4,886,257

**C. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

	Deficit
<u>Nonmajor Governmental Funds</u>	
Management Information System	\$ 50
Entry Year Program	3
Ohio Reads	52
Title VI-B	19,971
Title I	9,176
Title VI	673
Preschool	4,208
Reducing Class Size	7,043
Miscellaneous Federal Grants	1,498

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

**A. Cash on Hand**

At year-end, the District had \$2,030 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$546,309. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$566,360 of the District's bank balance of \$866,830 was exposed to custodial risk as discussed below, while \$300,470 was covered by Federal Deposit Insurance Corporation.

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

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 1,692,655	\$ 1,692,655

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006.



**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,692,655	100.00

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 546,309
Investments	1,692,655
Cash on hand	<u>2,030</u>
Total	<u>\$ 2,240,994</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,137,041
Agency funds	<u>103,953</u>
Total	<u>\$ 2,240,994</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 40,190

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental Funds		
General Fund		\$ 7,580
Nonmajor Governmental Funds		<u>190,163</u>
Total		<u>\$197,743</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The District receives property taxes from Huron, Sandusky, Seneca and Erie Counties. Each County Auditor periodically advances to the District their portions of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$992,703 in the general fund and \$73,975 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$1,497,131 in the general fund and \$113,214 in the permanent improvement fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 208,999,850	77.89	\$ 212,490,790	82.35
Public utility personal	13,105,170	4.89	13,070,090	5.06
Tangible personal property	<u>46,208,530</u>	<u>17.22</u>	<u>32,474,190</u>	<u>12.59</u>
Total	<u>\$ 268,313,550</u>	<u>100.00</u>	<u>\$ 258,035,070</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 38.80		\$ 42.70	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The District has authorized, through voter approval, an annual .5% school district income tax levied on the income of individuals and estates. The tax is to be used for normal operating expenses of the District, and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2006, was \$1,138,008.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 7,992,841
Accounts	133,179
Accrued interest	3,674
Intergovernmental	<u>59,424</u>
Total	<u>\$ 8,189,118</u>

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

**NOTE 9 - CAPITAL ASSETS**

- A. The capital asset balances of the government activities have been restated due to errors and omissions reported in previous years (See Note 3.B. for detail).

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

	Balance <u>06/30/05</u>	<u>Adjustments</u>	Restated Balance <u>07/01/05</u>
<b>Governmental Activities</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 862,079	\$ -	\$ 862,079
Total capital assets, not being depreciated	<u>862,079</u>	<u>-</u>	<u>862,079</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	618,247	-	618,247
Buildings and improvement	6,175,088	-	6,175,088
Furniture and equipment	2,730,257	-	2,730,257
Vehicles	<u>1,485,898</u>	<u>-</u>	<u>1,485,898</u>
Total capital assets, being depreciated	<u>11,009,490</u>	<u>-</u>	<u>11,009,490</u>
<i>Less: accumulated depreciation</i>	<u>(7,122,739)</u>	<u>240,448</u>	<u>(6,882,291)</u>
Governmental activities capital assets, net	<u>\$ 4,748,830</u>	<u>\$ 240,448</u>	<u>\$ 4,989,278</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**B.** Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance <u>07/01/05</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/06</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 862,079	\$ -	\$ -	\$ 862,079
Total capital assets, not being depreciated	<u>862,079</u>	<u>-</u>	<u>-</u>	<u>862,079</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	618,247	122,153	-	740,400
Buildings and improvements	6,175,088	-	-	6,175,088
Furniture and equipment	2,730,257	100,562	(8,164)	2,822,655
Vehicles	<u>1,485,898</u>	<u>40,207</u>	<u>(31,848)</u>	<u>1,494,257</u>
Total capital assets, being depreciated	<u>11,009,490</u>	<u>262,922</u>	<u>(40,012)</u>	<u>11,232,400</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(501,453)	(19,137)	-	(520,590)
Buildings and improvements	(3,587,229)	(131,136)	-	(3,718,365)
Furniture and equipment	(2,060,581)	(202,685)	1,474	(2,261,792)
Vehicles	<u>(733,028)</u>	<u>(85,599)</u>	<u>20,712</u>	<u>(797,915)</u>
Total accumulated depreciation	<u>(6,882,291)</u>	<u>(438,557)</u>	<u>22,186</u>	<u>(7,298,662)</u>
Governmental activities capital assets, net	<u>\$ 4,989,278</u>	<u>\$ (175,635)</u>	<u>\$ (17,826)</u>	<u>\$ 4,795,817</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 308,076
Special	6,513
Vocational	5,103

Support Services:

Administration	3,064
Operations and maintenance	12,741
Pupil transportation	76,809
Extracurricular activities	17,269
Food service operations	<u>8,982</u>
Total depreciation expense	<u>\$ 438,557</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

Capital assets consisting of furniture and equipment and vehicles have been capitalized in the amount of \$294,593. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$111,662, leaving a current book value of \$182,931. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2006 fiscal year totaled \$48,587 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 66,069
2008	66,070
2009	46,824
2010	16,404
2011	<u>4,159</u>
Total minimum lease payments	<u>199,526</u>
Less amount representing interest	<u>(22,099)</u>
Total	<u>\$ 177,427</u>

**NOTE 11 - NONCANCELLABLE OPERATING LEASES**

The District leases modular classrooms and various copier machines under noncancellable operating leases. Total payments for these leases were \$84,120 for the fiscal year ended June 30, 2006, and are reported in the general fund. The future minimum lease payments as of June 30, 2006 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 49,199
2008	23,883
2009	<u>5,734</u>
Total	<u>\$ 78,816</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 12 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2006, the following changes occurred in the governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/06</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>						
<u>Notes Payable:</u>						
Energy conservation notes	5.15%	\$ 363,000	\$ -	\$ (176,000)	\$ 187,000	\$ 187,000
Tax anticipation notes	4.50-5.25%	202,921	-	(133,522)	69,399	69,399
Total notes payable		<u>565,921</u>	<u>-</u>	<u>(309,522)</u>	<u>256,399</u>	<u>256,399</u>
<u>Other Long-Term Obligations:</u>						
Capital lease obligation		183,271	42,743	(48,587)	177,427	54,777
Compensated absences		<u>1,520,454</u>	<u>346,990</u>	<u>(260,896)</u>	<u>1,606,548</u>	<u>302,085</u>
Total other long-term obligations		<u>1,703,725</u>	<u>389,733</u>	<u>(309,483)</u>	<u>1,783,975</u>	<u>356,862</u>
Total governmental activities		<u>\$ 2,269,646</u>	<u>\$ 389,733</u>	<u>\$ (619,005)</u>	<u>\$ 2,040,374</u>	<u>\$ 613,261</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

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

- B. In a prior year, the District issued energy conservation notes and general obligation notes to provide for energy improvements to various District buildings. The general obligation notes were issued for the purpose of refunding notes issued in 1995 for the purpose of purchasing and installing energy conservation measures. The primary source of repayment of these notes 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 debt service fund. The unmatured obligations at year-end are accounted for in the statement of net assets.

The following is a description of the District's energy conservation notes and general obligation notes outstanding as of June 30, 2006:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/05</u>	<u>Retired in 2006</u>	<u>Balance 06/30/06</u>
Energy conservation notes	5.15%	02/10/97	12/01/06	<u>\$ 363,000</u>	<u>\$ (176,000)</u>	<u>\$ 187,000</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

- C. 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, 2006:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/05</u>	<u>Retired in 2006</u>	<u>Balance 06/30/06</u>
Tax anticipation notes	5.25%	04/26/01	12/01/06	\$ 202,921	\$ (133,522)	\$ 69,399

- D. The following is a summary of the District's future annual debt service requirements to maturity for the tax anticipation notes, and energy conservation notes:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 256,399	\$ 6,641	\$ 263,040

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$23,223,156 an unvoted debt margin of \$258,035 and an energy conservation margin of \$2,135,316.

**NOTE 13 - RISK MANAGEMENT**

**A. Comprehensive**

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

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Nationwide Insurance		
Each occurrence		\$ 1,000,000	\$ 0
Aggregate		3,000,000	0
Building and contents	Cincinnati Insurance	35,558,343	5,000
Fleet:	Auto Owner's Insurance		
Comprehensive		1,000,000	1,000
Collision		1,000,000	1,000
Umbrella liability:	Nationwide Insurance		
Each occurrence		1,000,000	10,000
Aggregate		1,000,000	0



**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

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

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

**C. Workers' Compensation**

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

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$282,492, \$270,515, and \$216,996; respectively; 44.96 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$155,472 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

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

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 14 - PENSION PLANS - (Continued)**

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,222,013, \$1,187,087 and \$1,115,247, respectively; 83.26 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$204,594 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,428 made by the District and \$15,331 made by the plan members.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$94,001 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 15 – POSTEMPLOYMENT BENEFITS - (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$130,295 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 16 - 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 general fund is as follows:

	<u>General Fund</u>
Budget basis	\$ (299,901)
Net adjustment for revenue accruals	(374,496)
Net adjustment for expenditure accruals	151,519
Net adjustment for other sources/uses	156,427
Adjustment for encumbrances	<u>199,950</u>
GAAP basis	<u>\$ (166,501)</u>

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not currently a party to any legal proceedings which would have a material impact on the financial statements.

**NOTE 18 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ (118,728)	\$ -
Current year set-aside requirement	324,520	324,520
Current year offsets	-	(586,954)
Qualifying disbursements	<u>(338,173)</u>	<u>(488,762)</u>
Total	<u>\$ (132,381)</u>	<u>\$ (751,196)</u>
Cash balance carried forward to FY 2007	<u>\$ (132,381)</u>	<u>\$ -</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years.

## **SUPPLEMENTAL DATA**

**BELLEVUE CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
(A) Food Donation	10.550	N/A	\$ -	\$ 111,816	\$ -	\$ 111,816
(C) National School Lunch Program	10.555	043596-LLP4-2005	53,029	-	53,029	-
(C) National School Lunch Program	10.555	043596-LLP4-2006	155,619	-	155,619	-
<b>Total National School Lunch Program</b>			<u>208,648</u>	<u>-</u>	<u>208,648</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<u>208,648</u>	<u>111,816</u>	<u>208,648</u>	<u>111,816</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
Title I Grants to Local Educational Agencies	84.010	043596-C1S1-2005	6,426		51,181	
Title I Grants to Local Educational Agencies	84.010	043596-C1S1-2006	180,827		161,571	
<b>Total Title I Grants to Local Educational Agencies</b>			<u>187,253</u>		<u>212,752</u>	
<b>Special Education Cluster:</b>						
(B) Special Education Grants to States	84.027	043596-6BSD-2005	4,710		9,001	
(B) Special Education Grants to States	84.027	043596-6BSD-2006	18,134		16,788	
(B) Special Education Grants to States	84.027	043596-6BSF-2005	4,428		81,196	
(B) Special Education Grants to States	84.027	043596-6BSF-2006	570,525		501,531	
<b>Total Special Education Grants to States</b>			<u>597,797</u>		<u>608,516</u>	
(B) Special Education Preschool Grants	84.173	043596-PGS1-2005	2,283		6,086	
(B) Special Education Preschool Grants	84.173	043596-PGS1-2006	22,420		23,052	
<b>Total Special Education Preschool Grants</b>			<u>24,703</u>		<u>29,138</u>	
<b>Total Special Education Cluster</b>			<u>622,500</u>		<u>637,654</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	043596-DRS1-2005	-		1,222	
Safe and Drug-Free Schools and Communities State Grants	84.186	043596-DRS1-2006	8,904		8,729	
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<u>8,904</u>		<u>9,951</u>	
State Grants for Innovative Programs	84.298	043596-C2S1-2005	-		353	
State Grants for Innovative Programs	84.298	043596-C2S1-2006	6,808		5,731	
<b>Total State Grants for Innovative Programs</b>			<u>6,808</u>		<u>6,084</u>	
Education Technology State Grants	84.318	043596-TJS1-2005	1,727		705	
Education Technology State Grants	84.318	043596-TJS1-2006	4,146		5,089	
<b>Total Educational Technology State Grants</b>			<u>5,873</u>		<u>5,794</u>	
Improving Teacher Quality State Grants	84.367	043596-TRS1-2005	3,874		21,581	
Improving Teacher Quality State Grants	84.367	043596-TRS1-2006	91,197		82,179	
<b>Total Improving Teacher Quality State Grants</b>			<u>95,071</u>		<u>103,760</u>	
<b>Total U.S. Department of Education</b>			<u>926,409</u>		<u>975,995</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES</b>						
State Children's Insurance Program	93.767	N/A	1,645		1,645	
<b>Total State Children's Insurance Program</b>			<u>1,645</u>		<u>1,645</u>	
Medical Assistance Program	93.778	N/A	6,104		6,104	
<b>Total Medical Assistance Program</b>			<u>6,104</u>		<u>6,104</u>	
<b>Total U.S. Department of Health and Human Services</b>			<u>7,749</u>		<u>7,749</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 1,142,806</u>	<u>\$ 111,816</u>	<u>\$ 1,192,392</u>	<u>\$ 111,816</u>

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
(B) Included as part of "Special Education Grant Cluster" in determining major programs.  
(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
(D) This schedule was prepared on the cash basis of accounting.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Bellevue City School District, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Bellevue City School District's basic financial statements, and have issued our report thereon dated January 17, 2007. As disclosed in Note 3B to the financial statements, the District restated capital assets due to errors and omissions in prior years. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bellevue City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter that we have reported to the management of the Bellevue City School District in a separate letter dated January 17, 2007.



Board of Education  
Bellevue City School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bellevue City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain other matters that we have reported to the management of the Bellevue City School District in a separate letter dated January 17, 2007.

This report is intended solely for the information and use of management and the Board of Education of the Bellevue City School District, 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 cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
January 17, 2007



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

Compliance

We have audited the compliance of the Bellevue City School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2006. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Bellevue City School District's management. Our responsibility is to express an opinion on the Bellevue City School District's compliance based on our audit.

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

Board of Education  
Bellevue City School District

In our opinion, the Bellevue City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to its 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 the management, the Board of Education of the Bellevue City School District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
January 17, 2007

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

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

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

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

None

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

None



**Mary Taylor, CPA**  
Auditor of State

**BELLEVUE CITY SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2007**