

**BELLEVUE CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State
Betty Montgomery**

Board of Trustees
Bellevue City School District

We have reviewed the Independent Auditor's Report of the Bellevue City School District, Huron County, prepared by Gary B. Fink & Associates, Inc. for the audit period July 1, 2003 through June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 18, 2005

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**BELLEVUE CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of governmental activities, each major fund and the aggregate remaining fund information of the Bellevue City School District (the District), as of and for the year ended June 30, 2004, 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 an opinion 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2004 and respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.



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

April 13, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities increased \$871,056 which represents a 28.41% increase from 2003.
- General revenues accounted for \$17,047,706 in revenue or 87.28% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,484,017 or 12.72% of total revenues of \$19,531,723.
- The District had \$18,660,667 in expenses related to governmental activities; only \$2,484,017 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,047,706 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$17,024,257 in revenues and other financing sources and \$16,530,514 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance, increased \$494,347 from \$206,542 to \$700,889.

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 2004?" 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, 2004
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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 15-18 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 21-43 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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 2004 and 2003.

	Net Assets	
	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<u>Assets</u>		
Current and other assets	\$ 10,451,431	\$ 9,976,463
Capital assets	<u>4,950,827</u>	<u>4,698,768</u>
Total assets	<u>15,402,258</u>	<u>14,675,231</u>
<u>Liabilities</u>		
Current liabilities	8,679,047	8,411,174
Long-term liabilities	<u>2,785,837</u>	<u>3,197,739</u>
Total liabilities	<u>11,464,884</u>	<u>11,608,913</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,140,955	3,464,125
Restricted	184,634	242,306
Unrestricted	<u>(388,215)</u>	<u>(640,113)</u>
Total net assets	<u>\$ 3,937,374</u>	<u>\$ 3,066,318</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$3,937,374.

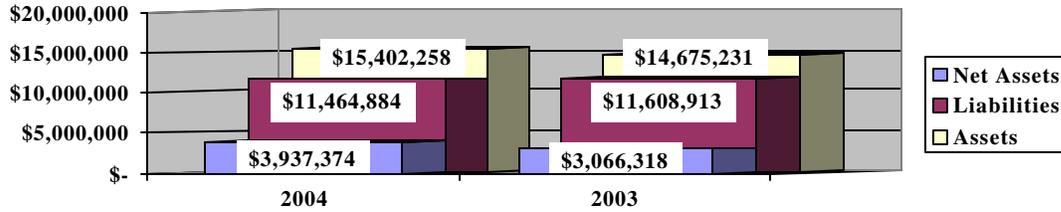
At year-end, capital assets represented 32.14% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$4,140,955. These capital assets are used 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, \$184,634, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets was a deficit of \$388,215.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Governmental Activities



The table below shows the change in net assets for fiscal year 2004 and 2003.

	Governmental Activities 2004	Governmental Activities 2003
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,185,737	\$ 1,325,163
Operating grants and contributions	1,298,280	1,284,498
General revenues:		
Property taxes	7,550,997	8,202,309
School district income taxes	1,070,195	815,752
Grants and entitlements	8,219,678	7,667,528
Investment earnings	27,982	36,493
Other	<u>178,854</u>	<u>75,674</u>
Total revenues	<u>19,531,723</u>	<u>19,407,417</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

	Change in Net Assets	
	Governmental Activities	Governmental Activities
	<u>2004</u>	<u>2003</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,994,187	\$ 6,686,581
Special	2,380,159	2,034,042
Vocational	487,264	439,128
Adult	7,194	-
Other	291,043	225,293
Support services:		
Pupil	1,143,868	973,395
Instructional staff	1,043,050	965,830
Board of education	10,824	13,235
Administration	1,429,944	1,428,075
Fiscal	518,798	461,422
Business	14,019	12,300
Operations and maintenance	1,695,702	1,666,748
Pupil transportation	1,097,477	760,824
Central	9,703	8,982
Operations of non-instructional services	152,867	147,254
Food service operations	707,344	677,029
Extracurricular activities	600,602	613,366
Interest and fiscal charges	<u>76,622</u>	<u>121,358</u>
Total expenses	<u>18,660,667</u>	<u>17,234,862</u>
Increase in net assets	<u>\$ 871,056</u>	<u>\$ 2,172,555</u>

Governmental Activities

Net assets of the District's governmental activities increased \$871,056. Total governmental expenses of \$18,660,667 were offset by program revenues of \$2,484,017 and general revenues of \$17,047,706. Program revenues supported 13.31% of the total governmental expenses.

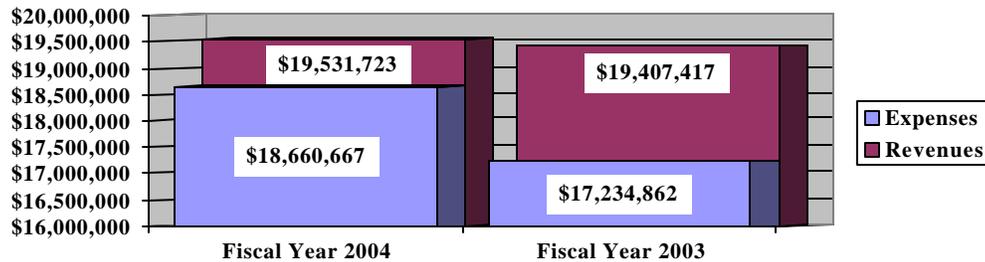
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 86.22% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004 and 2003.

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

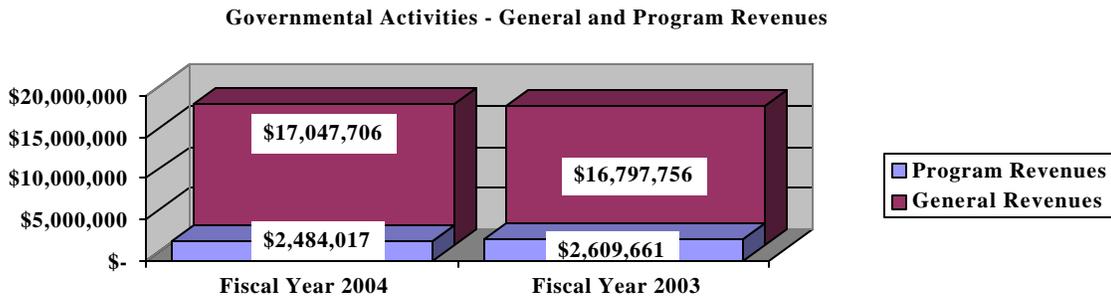
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses				
Instruction:				
Regular	\$ 6,994,187	\$ 6,294,858	\$ 6,686,581	\$ 5,865,248
Special	2,380,159	1,942,461	2,034,042	1,625,412
Vocational	487,264	487,264	439,128	439,128
Adult	7,194	7,194	-	-
Other	291,043	291,043	225,293	225,293
Support services:				
Pupil	1,143,868	1,086,913	973,395	932,026
Instructional staff	1,043,050	839,522	965,830	790,584
Board of education	10,824	10,824	13,235	13,235
Administration	1,429,944	1,423,174	1,428,075	1,414,347
Fiscal	518,798	510,536	461,422	453,065
Business	14,019	14,019	12,300	12,300
Operations and maintenance	1,695,702	1,695,702	1,666,748	1,666,748
Pupil transportation	1,097,477	1,097,477	760,824	760,824
Central	9,703	9,703	8,982	8,982
Operations of non-instructional services	152,867	4,211	147,254	(89,843)
Food service operations	707,344	24,046	677,029	7,596
Extracurricular activities	600,602	361,081	613,366	378,898
Interest and fiscal charges	76,622	76,622	121,358	121,358
Total expenses	\$ 18,660,667	\$ 16,176,650	\$ 17,234,862	\$ 14,625,201

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The dependence upon tax and other general revenues for governmental activities is apparent, 88.81% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.69%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004 and 2003.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$974,892, which is higher than last year's total of \$546,295. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$ 700,889	\$ 206,542	\$ 494,347
Other Governmental	274,003	339,753	(65,750)
Total	\$ 974,892	\$ 546,295	\$ 428,597

General Fund

The District's general fund balance increased \$494,347. The increase in fund balance can be attributed to increasing revenues still being more 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, 2004
UNAUDITED

	2004	2003	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
Revenues			
Taxes	\$ 8,054,658	\$ 8,397,628	(4.08) %
Tuition	101,855	85,947	18.51 %
Earnings on investments	26,967	34,836	(22.59) %
Intergovernmental	8,168,327	7,617,093	7.24 %
Other revenues	<u>510,630</u>	<u>574,442</u>	(11.11) %
Total	<u>\$ 16,862,437</u>	<u>\$ 16,709,946</u>	0.91 %
Expenditures			
Instruction	\$ 9,227,074	\$ 8,583,494	7.50 %
Support services	6,386,622	6,126,376	4.25 %
Extracurricular activities	390,918	385,199	1.48 %
Facilities acquisition and construction	215,855	-	100.00 %
Capital outlay	161,820	-	100.00 %
Debt service	<u>141,193</u>	<u>137,195</u>	2.91 %
Total	<u>\$ 16,523,482</u>	<u>\$ 15,232,264</u>	8.48 %

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 2004, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$16,497,276, which approximates the original budgeted revenues estimate of \$16,562,418. Actual revenues and other financing sources for fiscal 2004 was \$16,649,727. This represents a \$152,451 increase over final budgeted revenues

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,488,194 were decreased to \$17,432,644 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$16,822,114, which was \$610,530 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$4,950,827 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, 2004
UNAUDITED

The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 862,079	\$ 862,079
Land improvements	133,836	115,635
Building and improvements	2,699,794	2,434,610
Furniture and equipment	502,671	477,476
Vehicles	752,447	808,968
Total	\$ 4,950,827	\$ 4,698,768

Total additions to capital assets for 2004 were \$717,503. The overall increase in capital assets of \$252,059 is primarily due to capital outlays exceeding depreciation expense of \$413,348 and disposals of \$52,096 (net of accumulated depreciation) for fiscal 2004.

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

Debt Administration

At June 30, 2004, the District had \$568,695 in general obligation notes and energy conservation notes outstanding. Of this total, \$205,694 is due within one year and \$363,001 is due in greater than one year. The following table summarizes the notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2004	2003
General obligation notes	\$ 39,695	\$ 78,695
Energy conservation notes	529,000	686,000
Tax anticipation notes	329,699	625,021
Total	\$ 898,394	\$ 1,389,716

At June 30, 2004, the District's overall legal debt margin was \$23,818,243 with an unvoted debt margin of \$264,647.

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, 2004
UNAUDITED**

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.

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.

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 1,630,743
Receivables:	
Taxes	8,597,753
Accounts	10,547
Intergovernmental	118,574
Prepayments.	18,412
Materials and supplies inventory	75,402
Capital assets:	
Land	862,079
Depreciable capital assets, net	4,088,748
Capital assets, net.	<u>4,950,827</u>
 Total assets.	 <u>15,402,258</u>
Liabilities:	
Accounts payable.	42,404
Accrued wages and benefits	1,850,756
Pension obligation payable.	420,365
Intergovernmental payable	39,289
Deferred revenue	6,322,452
Accrued interest payable	3,781
Long-term liabilities:	
Due within one year.	820,843
Due within more than one year	1,964,994
 Total liabilities	 <u>11,464,884</u>
Net Assets:	
Invested in capital assets, net of related debt.	4,140,955
Restricted for:	
Capital projects	145,441
Other purposes	39,193
Unrestricted (deficit)	<u>(388,215)</u>
 Total net assets	 <u>\$ 3,937,374</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 6,994,187	\$ 531,024	\$ 168,305	\$ (6,294,858)
Special	2,380,159	510	437,188	(1,942,461)
Vocational	487,264	-	-	(487,264)
Adult	7,194	-	-	(7,194)
Other	291,043	-	-	(291,043)
Support services:				
Pupil	1,143,868	-	56,955	(1,086,913)
Instructional staff	1,043,050	-	203,528	(839,522)
Board of education	10,824	-	-	(10,824)
Administration	1,429,944	4,465	2,305	(1,423,174)
Fiscal	518,798	-	8,262	(510,536)
Business	14,019	-	-	(14,019)
Operations and maintenance	1,695,702	-	-	(1,695,702)
Pupil transportation	1,097,477	-	-	(1,097,477)
Central	9,703	-	-	(9,703)
Operation of non-instructional services	152,867	-	148,656	(4,211)
Food service operations	707,344	410,217	273,081	(24,046)
Extracurricular activities	600,602	239,521	-	(361,081)
Interest and fiscal charges	76,622	-	-	(76,622)
Total governmental activities	\$ 18,660,667	\$ 1,185,737	\$ 1,298,280	(16,176,650)

General Revenues:

Property taxes levied for:	
General purposes	7,045,244
Capital projects	505,753
School district income tax	1,070,195
Grants and entitlements not restricted to specific programs	8,219,678
Investment earnings	27,982
Miscellaneous	178,854
Total general revenues	17,047,706
Change in net assets	871,056
Net assets at beginning of year	3,066,318
Net assets at end of year	\$ 3,937,374

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,241,803	\$ 388,940	\$ 1,630,743
Receivables:			
Taxes	8,041,150	556,603	8,597,753
Accounts	10,547	-	10,547
Intergovernmental	-	118,574	118,574
Accrued interest	-	-	-
Interfund loan receivable	93,611	-	93,611
Prepayments	18,070	342	18,412
Materials and supplies inventory	51,175	24,227	75,402
Total assets	<u>\$ 9,456,356</u>	<u>1,088,686</u>	<u>10,545,042</u>
Liabilities:			
Accounts payable	\$ 33,957	\$ 8,447	\$ 42,404
Accrued wages and benefits	1,688,571	162,185	1,850,756
Compensated absences payable	260,739	2,558	263,297
Pension obligation payable	227,788	24,088	251,876
Interfund loan payable	-	93,611	93,611
Intergovernmental payable	35,624	3,665	39,289
Tax anticipation note payable	329,699	-	329,699
Accrued interest payable	1,446	-	1,446
Deferred revenue	6,177,643	520,129	6,697,772
Total liabilities	<u>8,755,467</u>	<u>814,683</u>	<u>9,570,150</u>
Fund Balances:			
Reserved for encumbrances	176,054	47,242	223,296
Reserved for materials and supplies inventory	51,175	24,227	75,402
Reserved for property tax unavailable for appropriation	1,493,036	109,085	1,602,121
Reserved for prepayments	18,070	342	18,412
Unreserved, undesignated, (deficit) reported in:			
General fund	(1,037,446)	-	(1,037,446)
Special revenue funds	-	77,115	77,115
Capital projects funds	-	15,992	15,992
Total fund balances	<u>700,889</u>	<u>274,003</u>	<u>974,892</u>
Total liabilities and fund balances	<u>\$ 9,456,356</u>	<u>1,088,686</u>	<u>10,545,042</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	974,892
<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.			4,950,827
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	302,709	
Intergovernmental revenue		72,611	
Total			375,320
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation notes		39,695	
Energy conservation notes		529,000	
Capital lease obligation		241,177	
Compensated absences		1,382,969	
Pension obligation payable		168,489	
Accrued interest payable		2,335	
Total			(2,363,665)
Net assets of governmental activities		\$	3,937,374

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, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 8,054,658	\$ 499,606	\$ 8,554,264
Tuition.	101,855	-	101,855
Charges for services.	-	410,217	410,217
Earnings on investments.	26,967	1,015	27,982
Extracurricular.	19,509	200,540	220,049
Classroom materials and fees	67,494	33,092	100,586
Other local revenues.	423,627	108,257	531,884
Intergovernmental - State	8,156,506	335,996	8,492,502
Intergovernmental - Federal	11,821	1,018,316	1,030,137
Total revenue	<u>16,862,437</u>	<u>2,607,039</u>	<u>19,469,476</u>
Expenditures:			
Current:			
Instruction:			
Regular	6,557,623	258,022	6,815,645
Special.	1,898,241	436,459	2,334,700
Vocational.	472,973	-	472,973
Adult.	7,194	-	7,194
Other	291,043	-	291,043
Support services:			
Pupil.	1,044,203	60,989	1,105,192
Instructional staff	761,588	247,137	1,008,725
Board of education	10,824	-	10,824
Administration.	1,402,740	6,517	1,409,257
Fiscal	482,288	18,214	500,502
Business	13,564	-	13,564
Operations and maintenance.	1,654,924	-	1,654,924
Pupil transportation	1,006,788	-	1,006,788
Central.	9,703	-	9,703
Operation of non-instructional services	-	151,642	151,642
Food service operations	-	692,891	692,891
Extracurricular activities.	390,918	244,630	635,548
Facilities acquisition and construction	215,855	33,138	248,993
Capital outlay.	161,820	-	161,820
Debt service:			
Principal retirement	102,355	484,236	586,591
Interest and fiscal charges	38,838	41,096	79,934
Total expenditures	<u>16,523,482</u>	<u>2,674,971</u>	<u>19,198,453</u>
Excess of revenues over (under) expenditures.	<u>338,955</u>	<u>(67,932)</u>	<u>271,023</u>
Other financing sources (uses):			
Proceeds of capital lease transactions	161,820	-	161,820
Transfers in	-	239,002	239,002
Transfers (out).	(7,032)	(231,970)	(239,002)
Total other financing sources (uses)	<u>154,788</u>	<u>7,032</u>	<u>161,820</u>
Net change in fund balances	493,743	(60,900)	432,843
Fund balances at beginning of year	206,542	339,753	546,295
Increase (decrease) in reserve for inventory.	604	(4,850)	(4,246)
Fund balances at end of year	\$ 700,889	\$ 274,003	\$ 974,892

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, 2004

Net change in fund balances - total governmental funds	\$	432,843
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		304,155
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(52,096)
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.		(161,820)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		62,247
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(4,246)
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		586,591
In the statement of activities, interest is accrued on notes outstanding, whereas in governmental funds, an interest expenditure is reported when due.		3,312
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(299,930)
		<hr/>
Change in net assets of governmental activities	\$	871,056
		<hr/> <hr/>

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, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 7,681,535	\$ 7,722,028	\$ 7,722,028	\$ -
Tuition.	92,831	93,319	93,320	1
Earnings on investments.	28,469	26,726	28,619	1,893
Extracurricular.	19,407	19,509	19,509	-
Classroom materials and fees	67,140	67,395	67,494	99
Other local revenues.	423,529	407,674	425,762	18,088
Intergovernmental - State	8,124,965	8,035,426	8,167,796	132,370
Intergovernmental - Federal.	11,758	11,820	11,820	-
Total revenue	<u>16,449,634</u>	<u>16,383,897</u>	<u>16,536,348</u>	<u>152,451</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,791,460	6,638,147	6,547,767	90,380
Special.	1,995,213	1,934,320	1,885,056	49,264
Vocational.	480,566	469,185	463,322	5,863
Adult.	7,447	10,385	7,180	3,205
Other	301,886	302,255	291,054	11,201
Support services:				
Pupil.	1,049,680	1,024,883	1,012,015	12,868
Instructional staff	753,564	797,272	726,524	70,748
Board of education	11,315	18,620	10,909	7,711
Administration.	1,483,092	1,474,175	1,429,875	44,300
Fiscal	506,271	514,779	488,105	26,674
Business	13,613	13,447	13,125	322
Operations and maintenance.	1,793,472	1,865,667	1,729,118	136,549
Pupil transportation	1,224,980	1,226,186	1,181,025	45,161
Central.	10,064	11,000	9,703	1,297
Extracurricular activities.	402,630	444,604	388,183	56,421
Facilities acquisition and construction.	225,257	217,219	217,174	45
Total expenditures	<u>17,050,510</u>	<u>16,962,144</u>	<u>16,400,135</u>	<u>562,009</u>
Excess of revenues over (under) expenditures.	<u>(600,876)</u>	<u>(578,247)</u>	<u>136,213</u>	<u>714,460</u>
Other financing sources (uses):				
Refund of prior year expenditure	1,707	1,716	1,716	-
Refund of prior year receipts	-	(500)	-	500
Transfers (out)	(340,589)	(335,000)	(328,368)	6,632
Advances in.	111,077	111,663	111,663	-
Advances (out)	(97,095)	(135,000)	(93,611)	41,389
Total other financing sources (uses)	<u>(324,900)</u>	<u>(357,121)</u>	<u>(308,600)</u>	<u>48,521</u>
Net change in fund balance	(925,776)	(935,368)	(172,387)	762,981
Fund balance at beginning of year.	1,017,864	1,017,864	1,017,864	-
Prior year encumbrances appropriated	185,169	185,169	185,169	-
Fund balance at end of year	<u>\$ 277,257</u>	<u>\$ 267,665</u>	<u>\$ 1,030,646</u>	<u>\$ 762,981</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, 2004

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	77,245
Receivables:		
Accounts		<u>176</u>
Total assets.	\$	<u><u>77,421</u></u>
Liabilities:		
Accounts payable.	\$	1,048
Due to students		<u>76,373</u>
Total liabilities	\$	<u><u>77,421</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 173 certificated teaching personnel to provide services to approximately 2,388 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 219th largest in the State of Ohio (among 613 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". The reporting entity is composed of the primary government, component units and other organization 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, preschool and student related activities of the District.

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, (3) 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 this 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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.

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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, 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, 2004, but which were levied to finance fiscal year 2005 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 31, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures for all funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
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 2004. 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 plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 reverse 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 fund. A reserve for encumbrances is not reported on governmental-wide financial statements.

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.

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

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 2004 amounted to \$26,967, 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 Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Government-wide financial statement use the consumption method. Fund financial statements inventories are presented at the lower of cost or market on a first-in, first-out basis and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for its general capital assets during fiscal 2004. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	Governmental Activities <u>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, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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.

N. Prepayments

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

O. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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, 2004.

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 2004, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	Deficit
<u>Nonmajor Governmental Funds</u>	
Management Information System	\$ 23
Entry Year Program	14
Title VI-B	9,049
Title I	4,125
Preschool	1,398
Reducing Class Size	13,401
Miscellaneous Federal Grants	216

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 results from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

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

Interim monies may be 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating 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, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Cash on hand: At fiscal year-end, the District had \$2,550 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Investments".

Deposits: At year-end, the carrying amount of the District's deposits was \$175,296 and the bank balance was \$296,937. Of the bank balance:

1. \$136,478 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$160,459 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

The District had an investment of \$1,530,142 in STAR Ohio at June 30, 2004. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

	Cash and Cash		
	<u>Equivalents/Deposits</u>		<u>Investments</u>
GASB Statement No. 9	\$	1,707,988	\$ -
Investments of the cash management pool:			
Investment in STAR Ohio		(1,530,142)	1,530,142
Cash on hand		(2,550)	-
GASB Statement No. 3	<u>\$</u>	<u>175,296</u>	<u>\$ 1,530,142</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2004 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	\$ 93,611

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, 2004 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental Funds		
General Fund		\$ 7,032
Nonmajor Governmental Funds		231,970

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 6 - PROPERTY TAXES - (Continued)

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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. 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.

The District receives property taxes from Huron, Sandusky, Seneca and Erie Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004 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, 2004 was \$1,493,036 in the general fund and \$109,085 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$1,104,284 in the general fund and \$81,477 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 2004 taxes were collected are:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 187,794,050	75.88	\$ 206,542,650	78.04
Public utility personal	13,846,380	5.59	13,357,080	5.05
Tangible personal property	45,851,425	18.53	44,747,415	16.91
Total	<u>\$ 247,491,855</u>	<u>100.00</u>	<u>\$ 264,647,145</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 39.03		 \$ 38.80	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District has authorized, through voter approval, an annual .5% school district income tax levied on the school district 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 2004, was \$1,070,195.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$ 8,597,753
Accounts	10,547
Intergovernmental	<u>118,574</u>
Total	<u>\$ 8,726,874</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 862,079	\$ -	\$ -	\$ 862,079
Total capital assets, not being depreciated	<u>862,079</u>	<u>-</u>	<u>-</u>	<u>862,079</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	582,403	35,844	-	618,247
Buildings and improvements	5,776,684	381,454	-	6,158,138
Furniture and equipment	2,459,887	240,001	(19,287)	2,680,601
Vehicles	<u>1,500,372</u>	<u>60,204</u>	<u>(145,624)</u>	<u>1,414,952</u>
Total capital assets, being depreciated	<u>10,319,346</u>	<u>717,503</u>	<u>(164,911)</u>	<u>10,871,938</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(466,768)	(17,643)	-	(484,411)
Buildings and improvements	(3,342,074)	(116,270)	-	(3,458,344)
Furniture and equipment	(1,982,411)	(196,767)	1,248	(2,177,930)
Vehicles	<u>(691,404)</u>	<u>(82,668)</u>	<u>111,567</u>	<u>(662,505)</u>
Total accumulated depreciation	<u>(6,482,657)</u>	<u>(413,348)</u>	<u>112,815</u>	<u>(6,783,190)</u>
Governmental activities capital assets, net	<u>\$ 4,698,768</u>	<u>\$ 304,155</u>	<u>\$ (52,096)</u>	<u>\$ 4,950,827</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$ 269,754	
Special	5,733	
Vocational	4,087	
Support Services:		
Administration	2,675	
Operations and maintenance	32,260	
Pupil transportation	71,688	
Extracurricular activities	18,898	
Food service operations	<u>8,253</u>	
Total depreciation expense	<u>\$ 413,348</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$2,175,927. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$102,355 paid by the general fund and \$288,236 paid by the permanent improvement fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 137,007
2006	39,735
2007	39,218
2008	39,113
2009	<u>19,867</u>
Total minimum lease payments	274,940
Less amount representing interest	<u>(33,763)</u>
Total	<u>\$ 241,177</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 \$107,666 for the year ended June 30, 2004, and is reported in the general fund. The future minimum lease payments as of June 30, 2004 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2005	\$ 108,779
2006	71,845
2007	36,624
2008	<u>6,401</u>
Total	<u>\$ 223,649</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2004, the following changes occurred in the governmental activities long-term obligations.

	Interest Rate	Balance 06/30/03	Additions	Reductions	Balance 06/30/04	Amounts Due in One Year
Governmental Activities:						
<u>Notes Payable:</u>						
General obligation notes	5.40%	\$ 78,695	\$ -	\$ (39,000)	\$ 39,695	\$ 39,695
Energy conservation notes	5.15%	686,000	-	(157,000)	529,000	165,999
Tax anticipation notes	4.50-5.25%	625,021	-	(295,322)	329,699	126,779
Total notes payable		\$ 1,389,716	\$ -	\$ (491,322)	\$ 898,394	\$ 332,473
<u>Other Long-Term Obligations:</u>						
Capital lease obligation		\$ 469,948	\$ 161,820	\$ (390,591)	\$ 241,177	\$ 121,203
Compensated absences		1,338,075	574,954	(266,763)	1,646,266	367,167
Total other long-term obligations		\$ 1,808,023	\$ 736,774	\$ (657,354)	\$ 1,887,443	\$ 488,370
Total governmental activities		\$ 3,197,739	\$ 736,774	\$ (1,148,676)	\$ 2,785,837	\$ 820,843

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 and permanent improvement 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 and general obligation 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, 2004:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance 07/01/03	Retired in 2004	Balance 06/30/04
General obligation notes	5.40%	03/26/97	12/01/04	\$ 78,695	\$ (39,000)	\$ 39,695
Energy conservation notes	5.15%	02/10/97	12/01/06	686,000	(157,000)	529,000
Total				\$ 764,695	\$ (196,000)	\$ 568,695

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

- C. During fiscal year 1999, the District issued tax anticipation notes for \$875,000 and during fiscal year 2001, the District issued tax anticipation notes for \$600,000. These notes are a general obligation of the District, for which the full faith and credit is pledged for repayment. These notes are a liability of the general fund, which received the proceeds upon issuance.

The following is a description of the notes payable outstanding at June 30, 2004:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/03</u>	<u>Retired in 2004</u>	<u>Balance 06/30/04</u>
Tax anticipation notes	4.50%	10/02/98	12/01/03	\$ 175,000	\$ (175,000)	\$ -
Tax anticipation notes	5.25%	04/26/01	12/01/06	<u>450,021</u>	<u>(120,322)</u>	<u>329,699</u>
Total				\$ 625,021	\$ (295,322)	\$ 329,699

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 332,473	\$ 39,713	\$ 372,186
2006	309,523	23,091	332,614
2007	<u>256,398</u>	<u>6,641</u>	<u>263,039</u>
Total	\$ 898,394	\$ 69,445	\$ 967,839

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, 2004 are a voted debt margin of \$23,818,243 an unvoted debt margin of \$264,647 and an energy conservation margin of \$1,852,814.

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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - RISK MANAGEMENT - (Continued)

<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	40,833,225	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

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 \$1,000,000 in claims during his or her lifetime. The "reserves" in the Trust Fund include monies necessary to pay the "claims run-out", should the consortium ever be dissolved. Because the consortium is organized under Internal Revenue Services Code 501C (9), investment income is tax exempt.

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

C. 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
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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 a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$216,996, \$185,424, and \$323,365, respectively; 81.94% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$39,189 represents the unpaid pension contribution for fiscal year 2004.

B. State Teachers Retirement System

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

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% 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
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - DEFINED BENEFIT 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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,115,247, \$1,059,739, and \$1,146,810, respectively; 84.05% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$177,882 represents the unpaid pension contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$2,962 made by the District and \$9,322 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$85,786 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 15 - POSTEMPLOYMENT BENEFITS – (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$164,781 during the 2004 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	General Fund
Budget basis	\$ (172,387)
Net adjustment for revenue accruals	326,089
Net adjustment for expenditure accruals	(334,503)
Net adjustment for other sources/uses	463,388
Adjustment for encumbrances	<u>211,156</u>
GAAP basis	<u>\$ 493,743</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 a party to legal proceedings filed by an employee contesting the administration of benefits for a family member. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...”. The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ (130,003)	\$ -
Current year set-aside requirement	310,374	310,374
Current year offsets	-	(523,350)
Qualifying disbursements	<u>(291,544)</u>	<u>(619,172)</u>
Total	<u>\$ (111,173)</u>	<u>\$ (832,148)</u>
Cash balance carried forward to FY 2005	<u>\$ (111,173)</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 negative amount is therefore not presented as being carried forward to the next fiscal year. 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.

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bellevue City School District (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District, in a separate letter dated April 13, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 16, 2004.

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

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



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

April 13, 2005

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

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

Compliance

We have audited the compliance of the Bellevue City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Bellevue City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

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

Internal Control Over Compliance

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

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

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

GARY B. FINK & ASSOCIATES, INC.



Certified Public Accountants

April 13, 2005

Bellevue City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	043596-LLP4-2003	\$25,944	\$25,944
National School Lunch Program	10.555	043596-LLP4-2004	135,521	135,521
Total National School Lunch Program			<u>161,465</u>	<u>161,465</u>
Food Distribution	10.550	----	80,775	80,775
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>242,240</u>	<u>242,240</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medicaid Cluster:				
Medical Assistance Program (Title XIX)	93.778	----	11,821	11,821
Total U.S. Department of Health and Human Services - Medicaid Cluster			<u>11,821</u>	<u>11,821</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Innovative Education Program Strategies (ESEA Title VI)	84.298	043596-C2S1-2004	13,661	12,577
Innovative Education Program Strategies (ESEA Title VI)	84.298	043596-C2S1-2003	261	566
Total Innovative Education Program Strategies			<u>13,922</u>	<u>13,143</u>
Title I Grants to Local Educational Agencies	84.010	043596-C1S1-2003	21,794	57,875
Title I Grants to Local Educational Agencies	84.010	043596-C1S1-2004	217,160	184,190
Total Title I			<u>238,954</u>	<u>242,065</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	043596-DRS1-2004	9,850	7,439
Safe and Drug-Free Schools and Communities - State Grants	84.186	043596-DRS1-2003	0	27
Total Safe and Drug-Free Schools and Communities			<u>9,850</u>	<u>7,466</u>
Special Education Cluster:				
Special Education-Grants to States (Title VI-B Flow-Thru)	84.027	043956-6BSF-2003-P	5,479	49,439
Special Education-Grants to States (Title VI-B Flow-Thru)	84.027	043956-6BSF-2004-P	329,498	282,321
Special Education-Grants to States (Title VI-B Flow-Thru)	84.027	043956-6BSD-2003-P	19,249	18,432
Special Education-Grants to States (Title VI-B Flow-Thru)	84.027	043956-6BSD-2004-P	12,863	11,439
Special Education-Preschool Grants	84.173	043596-PGS1-2003-P	2,398	4,227
Special Education-Preschool Grants	84.173	043596-PGS1-2004-P	18,939	16,549
Total Special Education Cluster			<u>388,426</u>	<u>382,407</u>
Education Technology State Grants (Enhancing Education Through Technology Program)	84.318	043596-TJS1-2003	2,568	0
	84.318	043596-TJS1-2004	4,823	5,039
Total Education Technology State Grants			<u>7,391</u>	<u>5,039</u>
School Renovation Grants	84.352	043596-ATS3-2002	0	281
School Renovation Grants	84.352	043596-ATS2-2002	29,053	33,094
Total School Renovation Grants			<u>29,053</u>	<u>33,375</u>
Improving Teacher Quality State Grants	84.367	043596-TRS1-2003	17,206	25,579
Improving Teacher Quality State Grants	84.367	043596-TRS1-2004	79,017	72,775
Total Improving Teacher Quality State Grants			<u>96,223</u>	<u>98,354</u>
Eisenhower Professional Development State Grants	84.281	043596-MSS1-2002	0	1,487
Total Eisenhower Professional Development State Grants			<u>0</u>	<u>1,487</u>
Total U.S. Department of Education			<u>783,819</u>	<u>783,336</u>
Total Federal Assistance			<u>\$1,037,880</u>	<u>\$1,037,397</u>

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

BELLEVUE CITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

BELLEVUE CITY SCHOOL DISTRICT

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §505**

FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

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

BELLEVUE CITY SCHOOL DISTRICT

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §505**

**FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)**

(d)(1)(vii)	Major Programs:	Special Education – Grants to State, CFDA #84.027 and Special Education-Preschool Grants, CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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

BELLEVUE CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 2, 2005**