

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

BASIC FINANCIAL STATEMENTS – CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Education
Bellefontaine City School District
820 Ludlow Road
Bellefontaine, Ohio 43311

We have reviewed the *Independent Auditor's Report* of the Bellefontaine City School District, Logan County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Bellefontaine City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 1, 2008

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**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

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We're Ready For Your Future

December 26, 2007

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, Ohio, as of June 30, 2007, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information that the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bellefontaine City School District, Logan County, Ohio's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.

Rea & Associates, Inc.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

The management's discussion and analysis of the Bellefontaine 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, 2007. 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 notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

In total, net assets increased \$700,456.

General receipts accounted for \$20,312,571 or 80 percent of all receipts. Program specific receipts in the form of charges for services, operating and capital grants, and contributions accounted for \$5,095,853 or 20 percent of total receipts of \$25,408,424.

The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$20,681,143 in receipts, and \$20,184,123 in disbursements and other financing uses. The General Fund's balance increased \$497,020 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$972,458 in receipts and \$1,136,668 in disbursements. The Bond Retirement Fund's balance decreased \$164,210 from the prior fiscal year.

The receipts generated from the Debt Service Fund are used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities, both reported on the cash basis, 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 a greater 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 non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund. The General Fund and the Bond Retirement Fund are the District's major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities, both reported on the cash basis, reflect how the District did financially during fiscal year 2007. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Reporting the School District's Most Significant Funds

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes 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, cash basis, and the statement of activities, cash basis, the District discloses a single type of activity - governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities and food services.

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statement focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Funds – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Assets. The District has one proprietary fund – an Internal Service Fund.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the District's other financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

The School District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 and 2006.

Table 1
Net Assets – Cash Basis
Governmental Activities

	<u>2007</u>	<u>2006</u>
Equity in Pooled Cash and Cash Equivalents	<u>\$5,806,159</u>	<u>\$5,105,703</u>
Restricted for:		
Debt Service	\$ 589,692	\$ 753,902
Capital Outlay	628,049	454,307
Other Purposes	750,230	272,003
Unrestricted	<u>3,838,188</u>	<u>3,625,491</u>
Total Net Assets	<u>\$5,806,159</u>	<u>\$5,105,703</u>

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Table 2 reflects the changes in net assets for fiscal year 2007 and 2006.

Table 2
Changes in Net Assets—Cash Basis
Governmental Activities

	<u>2007</u>	<u>2006</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 1,730,235	\$ 951,065
Operating Grants and Contributions	3,304,953	3,772,143
Capital Grants and Contributions	60,665	25,369
Total Program Receipts	<u>5,095,853</u>	<u>4,748,577</u>
General Receipts:		
Property Taxes	7,891,196	8,296,595
Grants and Entitlements	11,683,692	10,750,723
Investment Earnings	263,770	165,245
Miscellaneous	473,913	365,029
Total General Receipts	<u>20,312,571</u>	<u>19,577,592</u>
Total Receipts	<u>\$ 25,408,424</u>	<u>\$ 24,326,169</u>
Disbursements:		
Instruction	14,592,768	14,177,471
Support Services:		
Pupil	928,849	1,038,803
Instructional Staff	1,291,067	1,403,973
Board of Education	143,612	149,651
Administration	1,654,464	1,763,842
Fiscal	405,147	414,647
Business	164,922	172,009
Operation and Maintenance of Plant	1,996,299	2,061,372
Pupil Transportation	519,748	586,643
Central	319,931	303,423
Non-Instructional	1,140,755	1,111,679
Extracurricular Activities	429,856	492,518
Capital Outlay	250	200
Principal	332,007	554,618
Interest and Fiscal Charges	788,293	785,122
Payment of Refunded Bonds	0	650,200
Total Disbursements	<u>24,707,968</u>	<u>25,666,171</u>
Increase (Decrease) in Net Assets	<u>\$ 700,456</u>	<u>\$ (1,340,002)</u>

Program receipts account for 20 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The majority of program disbursements for governmental activities are for instruction, which accounts for 59 percent of all governmental disbursements. Other programs, which support the instruction process, including pupil, instructional staff, and pupil transportation account for 11 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 8 percent. The remaining 22 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, cash basis, reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 14,592,768	\$ 10,986,418	\$ 14,177,471	\$ 11,562,324
Support Services:				
Pupil	928,849	924,369	1,038,803	924,901
Instructional Staff	1,291,067	890,710	1,403,973	996,418
Board of Education	143,612	142,685	149,651	148,792
Administration	1,654,464	1,596,314	1,763,842	1,688,707
Fiscal	405,147	404,247	414,647	410,984
Business	164,922	164,075	172,009	171,021
Operation and Maintenance of Plant	1,996,299	1,950,463	2,061,372	2,024,536
Pupil Transportation	519,748	501,133	586,643	505,148
Central	319,931	293,811	303,423	272,609
Non-Instructional	1,140,755	472,292	1,111,679	24,904
Extracurricular Activities	429,856	270,444	492,518	289,478
Capital Outlay	250	250	200	200
Principal	332,007	226,611	554,618	462,250
Interest and Fiscal Charges	788,293	788,293	785,122	785,122
Payment of Refunded Bonds to Escrow Agent	0	0	650,200	650,200
Total Disbursements	<u>\$ 24,707,968</u>	<u>\$ 19,612,115</u>	<u>\$ 25,666,171</u>	<u>\$ 20,917,594</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 75 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general revenues is 79 percent and 21 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major government funds were the General Fund and the Bond Retirement Fund. Total governmental funds had receipts of \$25,408,424 and disbursements of \$24,805,783. The net change of \$602,641 in fund balance for the year indicates that the District is meeting current costs.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

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 year 2007, the District amended its General Fund budget as needed. Final disbursements were budgeted at \$21,087,131, while actual disbursements were \$20,344,210.

Debt Administration

At June 30, 2007, the District had \$8,547,261 in general obligation bonds for the construction and improvement of buildings. The bonds were issued for a twenty-two year period with final maturity on December 1, 2026. The bonds are retired from the Bond Retirement Fund.

At June 30, 2007, the District's overall legal debt margin was \$27,423,196, with an un-voted debt margin of \$1,364,463.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

Property tax revenue estimates are based on historical collection levels. The District is realizing an annual decrease in its assessed valuation due to the phase out of tangible property taxes. This is reflected in the figures used for the five year forecast. 2007 was a reappraisal year for the District. The District is located in Logan County.

The biennial State budget (HB119) covers the State funding cycle July 1, 2007 through June 30, 2009. The effects of HB119 are still being analyzed in the education community. Even though the State per pupil funding amount increased three percent per year, over three hundred school districts in the State received no additional State funding. Bellefontaine was one of the fortunate districts to receive additional State funding. Starting with the 2008 fiscal year, a portion of the funding received from the State for lost tangible revenues is received through the State Foundation program. The remaining portion is received via a direct reimbursement from the State.

The State has implemented hold harmless payments during the first five years of the personal tangible phase out. After the initial five year period, direct reimbursements will be phased out on an equal reduction schedule over the next eight years. Once completely phased out, the District stands to lose a little over \$2,000,000 per year in personal tangible taxes unless the State enacts legislation to make the hold harmless payments permanent. The cost of doing business factor was completely phased out in HB119. The District will lose over \$570,000 per year in State funding with the loss of this funding source.

After having emergency operating levies defeated by district voters in May and November 2006, voters approved a 4.9 mill emergency operating levy in May 2007. The last time the District received new additional millage for operating purposes was sixteen years ago (November 1991). The passage of this levy will bring much needed additional revenue to the District.

Because of the financial crunch the District has experienced the last few years, the District made budget cuts of \$142,245 in fiscal year 2006, \$605,616 in fiscal year 2007 and \$466,140 in fiscal year 2008.

The District continues to analyze the long-term effects of HB119 and looks for long-range funding solutions.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

Current Issues (continued)

Even with passage of the emergency operating levy, the Board will closely monitor expenditures to keep them in line with the estimated revenues. Pupil teacher ratios and class sizes will be closely monitored during fiscal year 2008. The result of this analysis will help determine future staffing needs for the District.

The District is currently in a decent financial position. However, by no means are we out of the woods when looking down the road. Another major factor that was mentioned above was the loss of tangible property taxes. The State's reimbursement of lost tangible revenues starts phasing out in fiscal year 2011. As of now, the State has not implemented a permanent reimbursement for this revenue loss. The phase out of personal tangible property taxes continues to be a potential funding crisis for all school districts statewide.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Keith E. Krieger, Treasurer, Bellefontaine City School District, 820 Ludlow Road, Bellefontaine, OH 43311.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Net Assets - Cash Basis
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 5,806,159
<i>Total Assets</i>	<u>\$ 5,806,159</u>
Net Assets	
Restricted for:	
Debt Service	\$ 589,692
Capital Outlay	628,049
Other Purposes	750,230
Unrestricted	<u>3,838,188</u>
<i>Total Net Assets</i>	<u>\$ 5,806,159</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$ 11,093,292	\$ 756,384	\$ 457,239	\$ 25,600	\$ (9,854,069)
Special	2,832,594	139,160	2,072,747	0	(620,687)
Vocational	624,998	45,035	59,715	0	(520,248)
Other	41,884	9,007	41,463	0	8,586
Support Services:					
Pupil	928,849	770	3,710	0	(924,369)
Instructional Staff	1,291,067	3,797	396,560	0	(890,710)
Board of Education	143,612	0	927	0	(142,685)
Administration	1,654,464	3,804	54,346	0	(1,596,314)
Fiscal	405,147	0	900	0	(404,247)
Business	164,922	0	847	0	(164,075)
Operation and Maintenance of Plant	1,996,299	1,424	9,347	35,065	(1,950,463)
Pupil Transportation	519,748	1,361	17,254	0	(501,133)
Central	319,931	3,389	22,731	0	(293,811)
Operation of Non-Instructional Services	1,140,755	609,590	58,873	0	(472,292)
Extracurricular Activities	429,856	156,514	2,898	0	(270,444)
Capital Outlay	250	0	0	0	(250)
Debt Service:					
Principal	332,007	0	105,396	0	(226,611)
Interest	788,293	0	0	0	(788,293)
Totals	\$ 24,707,968	\$ 1,730,235	\$ 3,304,953	\$ 60,665	(19,612,115)

General Receipts

Property Taxes Levied for:	
General Purposes	6,786,353
Capital Projects	241,086
Debt Service	863,757
Grants and Entitlements not Restricted to Specific Programs	11,683,692
Interest	263,770
Miscellaneous	473,913
<i>Total General Receipts</i>	<u>20,312,571</u>
Change in Net Assets	700,456
<i>Net Assets - Beginning of Year</i>	<u>5,105,703</u>
<i>Net Assets - End of Year</i>	<u>\$ 5,806,159</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2007

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,110,855	\$ 589,692	\$ 996,141	\$ 4,696,688
Restricted Pooled Cash and Cash Equivalents	579,677	0	0	579,677
<i>Total Assets</i>	<u>\$ 3,690,532</u>	<u>\$ 589,692</u>	<u>\$ 996,141</u>	<u>\$ 5,276,365</u>
Fund Balances				
Reserved for Encumbrances	\$ 160,087	\$ 0	\$ 179,160	\$ 339,247
Reserved for Textbooks and Instructional Materials	477,647	0	0	477,647
Reserved for Budget Stabilization	80,693	0	0	80,693
Reserved for Bus Purchases	21,337	0	0	21,337
Unreserved:				
Undesignated, Reported in:				
General Fund	2,950,768	0	0	2,950,768
Special Revenue Funds	0	0	229,134	229,134
Debt Service Fund	0	589,692	0	589,692
Capital Projects Funds	0	0	587,847	587,847
<i>Total Fund Balances</i>	<u>\$ 3,690,532</u>	<u>\$ 589,692</u>	<u>\$ 996,141</u>	<u>\$ 5,276,365</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

*Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities
June 30, 2007*

Total Governmental Fund Balances **\$5,276,365**

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

Governmental activities' net assets include the internal service
funds' cash and cash equivalents. The proprietary funds'
statements include these assets.

529,794

Net Assets of Governmental Activities

\$5,806,159

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$ 6,786,353	\$ 863,757	\$ 241,086	\$ 7,891,196
Intergovernmental	12,556,925	108,701	2,383,683	15,049,309
Interest	263,320	0	450	263,770
Tuition and Fees	914,614	0	103,811	1,018,425
Food Service	0	0	519,852	519,852
Extracurricular Activities	0	0	191,959	191,959
Miscellaneous	159,931	0	313,982	473,913
<i>Total Receipts</i>	<u>20,681,143</u>	<u>972,458</u>	<u>3,754,823</u>	<u>25,408,424</u>
Disbursements				
Current:				
Instruction:				
Regular	10,565,350	0	625,757	11,191,107
Special	1,908,887	0	923,707	2,832,594
Vocation	624,998	0	0	624,998
Other	421	0	41,463	41,884
Support Services:				
Pupil	917,633	0	11,216	928,849
Instructional Staff	865,260	0	425,807	1,291,067
Board of Education	143,612	0	0	143,612
Administration	1,600,664	0	53,800	1,654,464
Fiscal	383,303	16,368	5,476	405,147
Business	164,922	0	0	164,922
Operation and Maintenance of Plant	1,896,561	0	99,738	1,996,299
Pupil Transportation	519,748	0	0	519,748
Central	294,885	0	25,046	319,931
Operation of Non-Instructional Services	16,181	0	1,124,574	1,140,755
Extracurricular Activities	279,601	0	150,255	429,856
Capital Outlay	250	0	0	250
Debt Service:				
Principal	0	332,007	0	332,007
Interest	0	788,293	0	788,293
<i>Total Disbursements</i>	<u>20,182,276</u>	<u>1,136,668</u>	<u>3,486,839</u>	<u>24,805,783</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>498,867</u>	<u>(164,210)</u>	<u>267,984</u>	<u>602,641</u>
Other Financing Sources (Uses)				
Transfers Out	(1,847)	0	0	(1,847)
Transfers In	0	0	1,847	1,847
<i>Total Other Financing Sources (Uses)</i>	<u>(1,847)</u>	<u>0</u>	<u>1,847</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	497,020	(164,210)	269,831	602,641
<i>Fund Balances - Beginning of Year</i>	<u>3,193,512</u>	<u>753,902</u>	<u>726,310</u>	<u>4,673,724</u>
<i>Fund Balances - End of Year</i>	<u>\$ 3,690,532</u>	<u>\$ 589,692</u>	<u>\$ 996,141</u>	<u>\$ 5,276,365</u>
Encumbrances	<u>\$ 160,087</u>	<u>\$ 0</u>	<u>\$ 179,160</u>	<u>\$ 339,247</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds \$602,641

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

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements). 97,815

Change in Net Assets of Governmental Activities \$700,456

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Fund Balance
- Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Taxes	\$ 7,250,000	\$ 6,786,352	\$ 6,786,353	\$ 1
Intergovernmental	12,483,273	12,945,829	12,556,925	(388,904)
Interest	150,000	150,000	263,320	113,320
Tuition and Fees	962,343	862,710	914,614	51,904
Miscellaneous	218,345	218,345	159,931	(58,414)
<i>Total Receipts</i>	<u>21,063,961</u>	<u>20,963,236</u>	<u>20,681,143</u>	<u>(282,093)</u>
Disbursements				
Current:				
Instruction				
Regular	11,581,885	11,694,471	10,692,407	1,002,064
Special	1,893,114	1,894,772	1,910,821	(16,049)
Vocational	639,106	652,539	628,295	24,244
Other	0	0	421	(421)
Support Services				
Pupil	942,953	943,237	919,356	23,881
Instructional Staff	972,030	974,901	869,549	105,352
Board of Education	207,744	212,926	150,134	62,792
Administration	1,585,871	1,588,679	1,602,820	(14,141)
Fiscal	372,103	372,170	383,303	(11,133)
Business	176,303	176,303	165,103	11,200
Operation and Maintenance of Plant	2,034,874	2,048,521	1,904,629	143,892
Pupil Transportation	483,408	483,937	520,095	(36,158)
Central	252,826	253,141	299,398	(46,257)
Operation of Non-Instructional Services	7,958	7,958	16,181	(8,223)
Extracurricular Activities	366,300	366,300	279,601	86,699
Capital Outlay	7,116	7,116	250	6,866
<i>Total Disbursements</i>	<u>21,523,591</u>	<u>21,676,971</u>	<u>20,342,363</u>	<u>1,334,608</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(459,630)</u>	<u>(713,735)</u>	<u>338,780</u>	<u>1,052,515</u>
Other Financing Sources (Uses)				
Operating Transfers Out	(25,000)	(25,000)	(1,847)	23,153
Contingencies	(25,000)	(25,000)	0	25,000
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(1,847)</u>	<u>48,153</u>
<i>Net Change in Fund Balances</i>	<u>(509,630)</u>	<u>(763,735)</u>	<u>336,933</u>	<u>1,100,668</u>
<i>Fund Balances - Beginning of Year</i>	3,107,168	3,107,168	3,107,168	0
<i>Prior Year Encumbrances Appropriated</i>	<u>86,344</u>	<u>86,344</u>	<u>86,344</u>	<u>0</u>
<i>Fund Balances - End of Year</i>	<u>\$ 2,683,882</u>	<u>\$ 2,429,777</u>	<u>\$ 3,530,445</u>	<u>\$ 1,100,668</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

Statement of Fund Net Assets - Cash Basis

Proprietary Fund

June 30, 2007

	<u>Governmental Activities</u>
	<u>Internal Service</u>
Assets	
Equity in Cash and Cash Equivalents	<u>\$ 529,794</u>
<i>Total Assets</i>	<u><u>\$ 529,794</u></u>
Net Assets	
Unrestricted	<u>\$ 529,794</u>
<i>Total Net Assets</i>	<u><u>\$ 529,794</u></u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2007*

	Governmental Activities Internal Service Fund
Operating Receipts	
Charges for Services	\$ 3,217,140
<i>Total Operating Receipts</i>	3,217,140
 Operating Disbursements	
Claims	3,119,325
<i>Total Operating Disbursements</i>	3,119,325
<i>Operating Income</i>	97,815
<i>Change in Net Assets</i>	97,815
<i>Net Assets - Beginning of Year</i>	431,979
<i>Net Assets - End of Year</i>	\$ 529,794

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

Statement of Fiduciary Net Assets - Cash Basis

Fiduciary Funds

June 30, 2007

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled in Cash and Cash Equivalents	\$ 65,175	\$ 103,041
<i>Total Assets</i>	<u>\$ 65,175</u>	<u>\$ 103,041</u>
Net Assets		
Restricted:		
Held in Trust for Scholarships	\$ 65,175	\$ 0
Held in Trust for Student Activities	<u>0</u>	<u>103,041</u>
<i>Total Net Assets</i>	<u>\$ 65,175</u>	<u>\$ 103,041</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
Additions	
Interest	\$ 4,669
Miscellaneous	334
<i>Total Additions</i>	5,003
Deductions	
Payments in Accordance with Trust Agreements	1,500
<i>Total Deductions</i>	1,500
<i>Change in Net Assets</i>	3,503
<i>Net Assets - Beginning of Year</i>	61,672
<i>Net Assets - End of Year</i>	\$ 65,175

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Bellefontaine City School District (the District) is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. 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 by the voters of the District.

The District serves an area of approximately 31 square miles in Logan County, including all of the City of Bellefontaine, Ohio, and portions of surrounding townships.

The District is the 174th largest in the state of Ohio (among 613 school districts) in terms of enrollment. It currently operates four elementary schools, one middle school and one comprehensive high school. The District is staffed by 128 non-certificated employees and 224 certificated employees to provide services to approximately 2,715 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the 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, food service 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 organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District does not have any component units.

The District is associated with three significant types of organizations including three jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations include the Ohio Hi-Point Career Center, West Central Ohio Special Education Regional Resource Center, the Logan County Education Foundation, the Joint Recreation District (Blue Jacket Park) and the Hunter Consulting Company Worker's Compensation Group Rating Plan. These organizations are presented in Notes 10, 11 and 12 to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. 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.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Government-Wide Financial Statements (continued)

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into three categories, governmental, proprietary and fiduciary.

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General Fund and the Bond Retirement Fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The internal service fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Funds

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 not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (cash equals net assets) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund and at the function and object level within all other funds are made by the District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2007, investments were limited to STAROhio and repurchase agreements. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$263,320, which includes interest assigned from other District funds.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and to create a reserve for budget stabilization. Restricted assets also include unspent resources restricted for the purchase of buses.

G. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

I. Long-term Debt

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets in proprietary funds are recorded as receipts when the grant is received.

K. Inventory

The School District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Equity Classifications

Government-wide Statements - 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 and regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specific purposes. Unrestricted net assets are all other net assets that are not restricted.

Fund Financial Statements – Governmental fund equity is classified as fund balance. The District records reservations for portions of fund balances which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure in future periods. Fund balance reserves are established for encumbrances, textbooks, instructional materials, budget stabilization and bus purchases.

N. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Receipts and Disbursements

Program Receipts – In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District’s taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales, operating and capital grants and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Operating Receipts and Disbursements – Operating receipts and disbursements for proprietary funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities. All receipts and disbursements not meeting these definitions are classified as non-operating.

3. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

3. DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above; provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District's carrying balance as June 30, 2007 was \$3,706,347 which includes \$194 of undeposited cash on hand. At year end, \$3,490,054 of the District's bank balance of \$3,890,054 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. \$400,000 of the bank balance was covered by federal depository insurance.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

3. DEPOSITS AND INVESTMENTS (continued)

Investments

As of June 30, 2007, the District had the following investments:

<u>Investment Type</u>	<u>Carrying and Fair Value</u>	<u>Maturities Less than 1 Year</u>	<u>Investment % of Total Portfolio</u>
Repurchase Agreements	\$1,174,397	\$1,174,397	51.78%
Money Market	862,398	862,398	38.02%
STAROhio	231,233	231,233	10.20%
Total Investments	<u>\$2,268,028</u>	<u>\$2,268,028</u>	<u>100.00%</u>

Interest Rate Risk

The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk

STAROhio and the money market account carry a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5 percent of the District's investments are in Repurchase Agreements, Money Market and STAROhio. These investments are 51.78%, 38.02% and 10.20%, respectively, of the District's total investment as listed above.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due January 20 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. 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 Logan County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	<u>2006 Second- Half Collections</u>		<u>2007 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$236,347,780	85%	\$239,457,570	87%
Public Utility Personal	9,159,650	3%	9,098,100	3%
Tangible Personal Property	33,987,853	12%	27,158,176	10%
Total	<u>\$279,495,283</u>	<u>100%</u>	<u>\$275,713,846</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$48.63		\$48.58	

5. RISK MANAGEMENT

A. Public Liability

The District is exposed to various risks related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles.

Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. No significant reduction in coverage occurred during the year.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

5. RISK MANAGEMENT (continued)

B. Health Care Benefits

The District has established a Self-Insurance Fund in the Internal Service Fund Type to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$75,000 per claim per employee. The District purchases commercial insurance for claims in excess of coverage provided by this fund and for other risks of loss including annual aggregate stop losses coverage for annual claims paid. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

C. Workers' Compensation

The District participates in the Hunter Consulting Company Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of the Hunter Consulting Company provides administrative, cost control, and actuarial services to the Plan.

D. Self Insurance

The District is also self-insured for employee health care benefits. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from interfund rates that are charged based on claims approved by the claims administrator. A comparison of Self Insurance Fund cash balance and estimated liability as of June 30 follows:

	2007	2006
Cash	\$529,794	\$431,979
Estimated Liabilities	\$442,569	\$456,744

Estimated liabilities are based on a calculation of fiscal year paid claims multiplied times a computation factor.

6. DEFINED BENEFIT PENSION PLAN

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State Teachers Retirement System, 275 E. Broad Street, Columbus, OH 43215-3371, or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

6. DEFINED BENEFIT PENSION PLAN (continued)

A. State Teachers Retirement System (continued)

New members have a choice of three retirement plans - a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The CP offers features of both the DCP and the DBP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP.

A DPB or CP member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DBP. Death benefit coverage up to \$2,000 can be purchased by participants in the DBP, DCP, or CP. Various other benefits are available to members' beneficiaries.

Upon termination of reemployment, or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The contribution requirement of plan members and Bellefontaine City School District are established and may be amended by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,157,847, \$1,648,988, and \$1,624,238 respectively; 100 percent has been contributed for fiscal year 2007, 2006 and 2005.

B. School Employees Retirement System

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

6. DEFINED BENEFIT PENSION PLAN (continued)

B. School Employees Retirement System (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal years 2006 and 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$421,464, \$424,548, and \$279,986 respectively. The School District has paid all contributions required through June 30, 2007.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, four of the Board of Education members have elected Social Security.

7. POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retirees who participated in the DB or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, and June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

7. POST-EMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation was 3.42 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care fund is 150 percent of projected claims less premium contributions for the next fiscal year. Net health care costs for the year ended June 30, 2006 were \$158,751,207. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants eligible to receive benefits.

8. DEBT OBLIGATIONS

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as disbursements in the Debt Service Fund.

The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt facilities tax levies.

The following is a description of the District's bonds outstanding as of June 30, 2007:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amount Due Within One Year
1993 Advanced Refunding Bonds					
Rate 5.3-5.6%	\$ 619,268	\$ 0	\$ 132,007	\$ 487,261	\$ 116,870
1999 Advance Refunding Bonds					
Rate 4.7 – 4.9%	915,000	0	200,000	715,000	225,000
2005 Advance Refunding Bonds					
Rate 5.0 – 5.5%	7,345,000	0	0	7,345,000	0
Total Debt Obligation	\$ 8,879,268	\$ 0	\$ 332,007	\$ 8,547,261	\$ 341,870

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

8. DEBT OBLIGATIONS (continued)

1. 1993 Advanced Refunding Bond Issue \$4,923,935

In December 1993, the District issued \$4,923,935 bonds for the purpose of advance refunding bonds titled "Bellefontaine City School District, Logan County, Ohio General Obligation Bonds," dated March 1, 1990, in the original principal amount of \$5,300,000, issued for the purpose of renovating the middle school, furnishing and equipping the same and improving the site thereof, and removing asbestos at various buildings. The bonds were issued for an eighteen-year period with final maturity at December 1, 2011. The bond issue consisted of \$4,000,000 of Current Interest Serial Bonds with interest rates ranging from 2.65 to 4.40 percent and \$923,935 of Capital Appreciation Serial Bonds with stated interest rates ranging from 10.3 to 10.4 percent (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 5.1 percent to 5.6 percent. The bonds will be retired from the Debt Service Fund.

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning June 1, 1994 until maturity or earlier redemption.

The Capital Appreciation Bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The Capital Appreciation Bonds will mature in fiscal years 2005 to 2012. The maturity amount of the bonds is \$3,900,000.

2. 1999 School Facilities Construction and Improvement Bonds

On June 15, 1999, the District issued \$9,070,000 in voted general obligation bonds for additions and renovations to the High School. The bond issue consists of \$5,215,000 in serial bonds and \$3,855,000 in term bonds. The serial bonds have interest rates from 3.75 to 5.75 percent and yield rates from 3.75 to 5.3 percent. The serial bonds mature each year beginning in 2000 and ending 2019. The term bonds have a 5.5 percent interest rate with final maturity on December 1, 2026. Bonds maturing after December 1, 2009 are subject to redemption at the option of the District at the redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the date of redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2009 through November 30, 2010	101%
December 1, 2010 and thereafter	100%

The term bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2014 and each December 1 following until December 1, 2019. The remaining principal amount of such Bonds (\$435,000) will mature at stated maturity on December 1, 2019.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

8. DEBT OBLIGATIONS (continued)

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2019	\$460,000
2020	485,000
2021	510,000
2022	535,000
2023	560,000
2024	590,000

The remaining principal amount of such bonds (\$620,000) will mature at stated maturity on December 1, 2026.

On April 1, 2005, the District issued \$7,475,000 in voted general obligation bonds to provide resources to purchase U.S. Government securities that were placed, along with the premiums received associated with the sale of the bonds, in an escrow fund for the purpose of generating resources for future debt service payments of \$7,475,000 of the 1999 School Improvement Bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed. This advance refunding was undertaken to reduce total debt service payments over the next fourteen years by \$388,333 and resulted in an economic gain of \$373,427.

3. 2005 General Obligation Advance Refunding Bonds

In April 2005, the District issued \$7,475,000 in voted general obligation bonds for the purpose of refunding a portion of the 1999 School Improvement Bonds originally issued in the aggregate principal amount of \$9,070,000 for the purpose of additions and renovations to the High School. The refunding bond issue consists of \$3,760,000 in serial bonds and \$3,715,000 in term bonds. The serial bonds have interest rates at 5.0 percent and yield rates from 2.45 to 4.22 percent. \$130,000 of the serial bonds matures in 2005, with the remaining serial bonds maturing each year beginning in 2010 and ending 2019. Term bonds in the amount of \$1,950,000 have a 5.5 percent interest rate with final maturity on December 1, 2023. Term bonds in the amount of \$1,765,000 have a 5.5 percent interest rate with final maturity on December 1, 2026. Bonds maturing on each December 1, 2016, 2017, 2018 and 2019 are subject to redemption at the option of the District, in whole or in part, in such order as the District shall determine, on any date on or after December 1, 2015, at the redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date of redemption.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2020	\$450,000
2021	470,000
2022	500,000

The remaining principal amount of such Bonds (\$530,000) will mature at stated maturity on December 1, 2023.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

8. DEBT OBLIGATIONS (continued)

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2024	\$555,000
2025	590,000

The remaining principal amount of such bonds (\$620,000) will mature at stated maturity on December 1, 2026.

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year(s) Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2008	\$ 341,870	\$ 783,245	\$ 1,125,115
2009	346,361	782,534	1,128,895
2010	347,882	784,068	1,131,950
2011	353,528	780,672	1,134,200
2012	357,620	762,955	1,120,575
2013-2017	1,690,000	1,589,124	3,279,124
2018-2022	2,315,000	1,083,200	3,398,200
2023-2027	2,795,000	5,376,200	8,171,200
Total	\$8,547,261	\$11,941,998	\$20,489,259

9. SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Senate Bill 345 eliminated the requirement to set aside additional reserves for budget stabilization. The reserve for budget stabilization balance represents the set aside required for Bureau of Workers' Compensation refunds.

For the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbooks	Capital Acquisitions	Budget Stabilization
Set-Aside Cash Balance as of June 30, 2006	\$ 425,263	(\$1,025,285)	\$ 80,693
Required Set-Aside	435,252	435,252	0
Qualifying Expenditures	(382,868)	(794,297)	0
Total	\$ 477,647	(\$1,384,330)	\$ 80,693
Amount to carry forward to fiscal year 2008	\$ 477,647	\$ 0	\$ 80,693

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

10. JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

C. Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

11. JOINT VENTURE

The Joint Recreation District (JRD) was established June 25, 1984. The JRD is operated by a seven member Board consisting of three representatives from both the Bellefontaine City School District and the City of Bellefontaine.

The remaining member is selected by the six appointed Board members. The JRD operates the Blue Jacket Park which is adjacent to the Bellefontaine City School District and for which the District owns the land. The operating budget for the JRD is passed by the City of Bellefontaine and is submitted to the JRD Board. To obtain financial information write to the City of Bellefontaine, Tim Decker, who serves as Auditor, at 135 North Detroit Street, Bellefontaine, Ohio 43311.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

12. INSURANCE POOLS

The Hunter Consulting Company 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 Hunter Consulting Company Workers' Compensation Group Rating Plan (the Plan) was established through the Hunter Consulting Company as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the Plan.

13. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

B. Litigation

There are currently no matters in litigation with the District as defendant.

14. INTERFUND BALANCES

Interfund Transfers

Transfers between funds during the year ended June 30, 2007 were as follows:

	Interfund Transfers In	Interfund Transfers Out
General	\$ 0	\$ 1,847
Other Governmental Funds	1,847	0
Total	\$ 1,847	\$ 1,847

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During the year ended June 30, 2007 the General Fund transferred \$1,847 to the Sloan Foundation Fund to finance general operations of the fund.

15. ACCOUNTABILITY

At June 30, 2007, the Local Grants, Special Education and Title I special revenue funds had deficit fund balances, in the amounts of \$20,846, \$17,601 and \$2,642, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed. The deficit fund balances were created at June 30, 2007 as a result of late disbursements from the grant authorities.

We're Ready For Your Future

December 26, 2007

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 26, 2007, wherein we noted the District was using a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-001 and 2007-002.

We noted certain matters that we reported to management of the District in a separate letter dated December 26, 2007.

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

Rea & Associates, Inc.

We're Ready For Your Future

December 26, 2007

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

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

Compliance

We have audited the compliance of Bellefontaine 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, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management 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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

Bellefontaine City School District
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

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

Rea & Associates, Inc.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

Schedule of Receipts and Disbursements of Federal Awards
For Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grantor's Number	Federal Receipts	Federal Disbursements	Non-Cash Transactions
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title I - Grants to Local Educational Agencies	84.010	C1S1-2006	\$ 76,396	\$ 117,200	\$ 0
Title I - Grants to Local Educational Agencies	84.010	C1S1-2007	599,269	599,884	0
Title I - Grants to Local Educational Agencies	84.010	C1SD-2007	13,165	15,192	0
			<u>688,830</u>	<u>732,276</u>	<u>0</u>
Special Education Grants to State	84.027	6BSD-2006	1,310	0	0
Special Education Grants to State	84.027	6BSF-2006	33,673	81,925	0
Special Education Grants to State	84.027	6BSF-2007	496,724	514,326	0
			<u>531,707</u>	<u>596,251</u>	<u>0</u>
Safe & Drug Free Schools and Communities	84.186	DRS1-2006	5,494	1,171	0
Safe & Drug Free Schools and Communities	84.186	DRS1-2007	10,478	9,268	0
			<u>15,972</u>	<u>10,439</u>	<u>0</u>
State Grants for Innovative Program	84.298	C2S1-2006	(2,976)	0	0
State Grants for Innovative Program	84.298	C2S1-2007	7,014	7,397	0
			<u>4,038</u>	<u>7,397</u>	<u>0</u>
Education Technology State Grants	84.318	TJS1-2006	(1,816)	0	0
Education Technology State Grants	84.318	TJS1-2007	5,089	6,706	0
			<u>3,273</u>	<u>6,706</u>	<u>0</u>
English Language Acquisition Grants	84.365	T3S1-2007	13,746	12,214	0
Improving Teacher Quality State Grant	84.367	TRS1-2006	66,080	22,540	0
Improving Teacher Quality State Grant	84.367	TRS1-2007	112,633	108,784	0
			<u>178,713</u>	<u>131,324</u>	<u>0</u>
			<u>1,436,279</u>	<u>1,496,607</u>	<u>0</u>
Total Department of Education					
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Food Donation	10.550		89,196	0	89,196
Nutrition Cluster:					
School Breakfast Program	10.553	05PU-2006	30,322	30,322	0
School Breakfast Program	10.553	05PU-2007	76,666	76,666	0
National School Lunch Program	10.555	LLP1-2006	266	266	0
National School Lunch Program	10.555	LLP1-2007	1,000	1,000	0
National School Lunch Program	10.555	LLP4-2006	105,255	105,255	0
National School Lunch Program	10.555	LLP4-2007	272,428	272,428	0
			<u>485,937</u>	<u>485,937</u>	<u>0</u>
			<u>575,133</u>	<u>485,937</u>	<u>89,196</u>
Total Department of Agriculture					
Total Federal Financial Assistance			<u>\$ 2,011,412</u>	<u>\$ 1,982,544</u>	<u>\$ 89,196</u>

BELLEFONTAINE CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OMB CIRCULAR A-133 , Section .505

JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I #84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

BELLEFONTAINE CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OMB CIRCULAR A-133 , Section .505

JUNE 30, 2007

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

Finding 2007-001 Ohio Administrative Code Section 117-2-103 (repeat of 2006-001)

Ohio Admin. Code Section 117-2-03 states that the School District is to prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year 2007, the District reported its financial statements on the cash basis of accounting with a GASB 34 presentation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, fund liabilities, equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	ORC Sec. 117.38 & OAC Sec. 117-2-03 (B) - Reporting on the cash-basis rather than the GAAP basis	No	Repeated as Finding 2007-001
2006-002	ORC Sec. 5705.10 - Negative cash fund balance	No	Partially Corrected - For FY07 only immaterial amounts were noted and are reported in the management letter.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2007**

Responsible Contact Person: Keith Kreiger, Treasurer

Identifying Number: 2007-001

Finding: Ohio Admin. Code Section 117-2-03 states that the School District is to prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year 2006, the District reported its financial statements on the cash basis of accounting with a GASB 34 presentation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, fund liabilities, equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District, and restate the reportable condition, compliance finding and/or issue of questioned costs).

Corrective Actions Taken or Planned:

No corrective action plan will be implemented. The District plans to continue reporting on the cash basis.



Mary Taylor, CPA
Auditor of State

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2008**