



Dave Yost • Auditor of State

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Bellevue City School District
Huron County
125 North Street
P.O. Box 8003
Bellevue, Ohio 44811-8003

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2012, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information 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. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 15, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The management's discussion and analysis of Bellevue City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities increased \$951,450 which represents a 3.46% increase from 2011.
- General revenues accounted for \$18,666,027 in revenue or 82.16% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,052,528 or 17.84% of total revenues of \$22,718,555.
- The District had \$21,767,105 in expenses related to governmental activities; only \$4,052,528 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,666,027 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$18,586,386 in revenues and other financing sources and \$18,374,690 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance, increased \$166,421 from a fund balance of \$4,327,472 to \$4,493,893.
- The classroom facilities fund had \$3,954,357 in revenues and \$25,393,091 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance, decreased \$21,438,734.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual*

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basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the classroom facilities fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011. Amounts at June 30, 2011 have been restated as described in Note 3.C.

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 30,802,215	\$ 53,040,968
Capital assets, net	<u>36,813,327</u>	<u>10,888,262</u>
Total Assets	<u>67,615,542</u>	<u>63,929,230</u>
<u>Liabilities</u>		
Current liabilities	12,965,092	9,666,588
Long-term liabilities	<u>26,194,687</u>	<u>26,758,329</u>
Total Liabilities	<u>39,159,779</u>	<u>36,424,917</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	21,520,001	10,276,025
Restricted	2,897,548	13,469,846
Unrestricted	<u>4,038,214</u>	<u>3,758,442</u>
Total Net Assets	<u>\$ 28,455,763</u>	<u>\$ 27,504,313</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$28,455,763.

At year-end, capital assets represented 54.45% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$21,520,001. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The increase in capital assets is primarily due to an increase in construction in progress associated with the District's building project. Current liabilities increased due to an increase in contracts payable related to the District's building project.

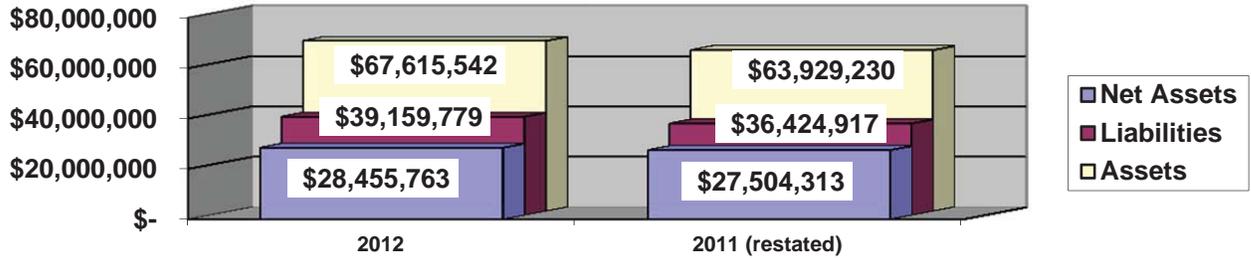
A portion of the District's net assets, \$2,897,548, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,038,214 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental activities assets, liabilities, and net assets at June 30, 2012 and June 30, 2011. Amounts at June 30, 2011 have been restated as described in Note 3.C.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities



The table below shows the change in net assets for fiscal year 2012 and 2011. Net assets at June 30, 2011 have been restated as described in Note 3.C.

Change in Net Assets

	Governmental Activities 2012	Restated Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,154,478	\$ 1,113,228
Operating grants and contributions	2,898,050	4,565,896
Capital grants and contributions		183,960
General revenues:		
Property taxes	7,180,989	8,176,113
School district income taxes	1,372,892	1,236,902
Grants and entitlements	9,923,088	9,792,871
Investment earnings	55,301	86,272
Other	133,757	115,320
Total Revenues	\$ 22,718,555	\$ 25,270,562

**BELLEVUE CITY SCHOOL DISTRICT
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	Change in Net Assets	
	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,292,651	\$ 8,353,720
Special	3,163,932	3,388,438
Vocational	388,565	396,797
Adult	10,119	
Other	1,065,961	1,017,544
Support services:		
Pupil	1,101,146	1,170,406
Instructional staff	1,123,274	958,918
Board of education	21,706	21,870
Administration	1,478,094	1,423,335
Fiscal	549,590	529,413
Business	11,435	12,623
Operations and maintenance	1,759,512	1,960,048
Pupil transportation	1,105,971	1,048,891
Central	66,248	65,983
Operation of non-instructional services:		
Other non-instructional services	170,701	148,486
Food service operations	890,420	815,121
Extracurricular activities	546,571	702,909
Interest and fiscal charges	1,021,209	1,030,482
Total Expenses	<u>21,767,105</u>	<u>23,044,984</u>
Change in Net Assets	951,450	2,225,578
Net Assets at Beginning of Year (Restated)	<u>27,504,313</u>	<u>25,278,735</u>
Net Assets at End of Year	<u><u>\$ 28,455,763</u></u>	<u><u>\$ 27,504,313</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$951,450. Total governmental expenses of \$21,767,105, were offset by program revenues of \$4,052,528 and general revenues of \$18,666,027. Program revenues supported 18.62% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 81.33% of total governmental revenue. Revenues from operating grants and contributions decreased \$1,667,846 primarily due to decrease in the education jobs fund of \$458,692, IDEA Part B fund of \$270,039, and education stabilization fund of \$710,107.

Property taxes decreased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditors. Tax advances available are recorded as revenue under GAAP. The amount of tax advance available at June 30, 2012 and 2011 were \$1,378,485 and \$2,083,749,

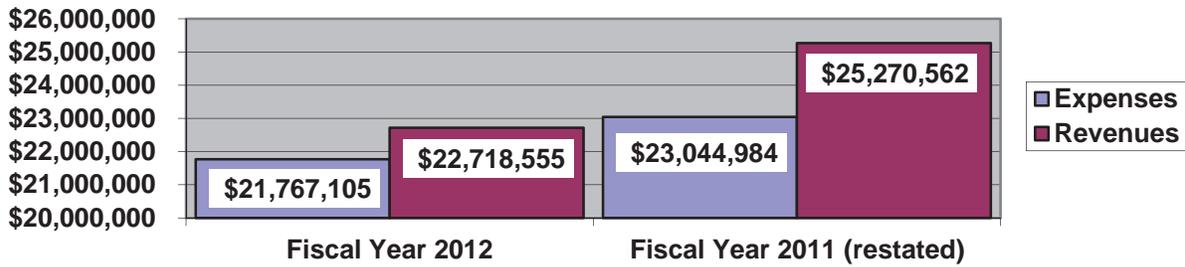
**BELLEVUE CITY SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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respectively. The amount of tax advance available at year end can vary depending on when the County Auditor distributes tax bills.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2012 and 2011. Revenues at June 30, 2011 have been restated as described in Note 3.C.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2012 compared to fiscal year 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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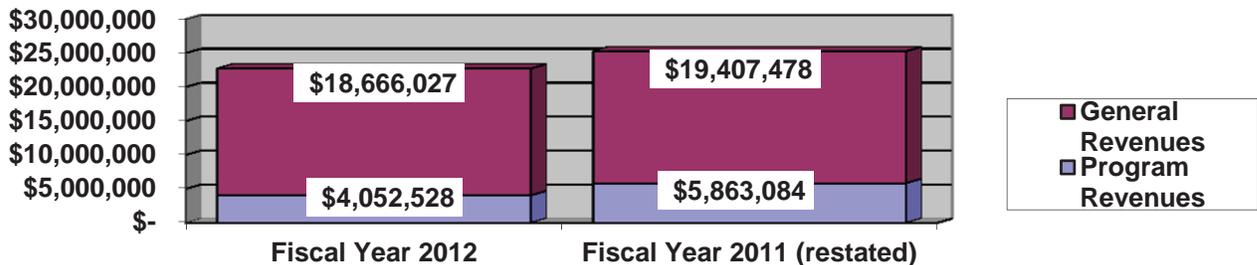
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 7,292,651	\$ 6,713,566	\$ 8,353,720	\$ 6,392,667
Special	3,163,932	1,661,635	3,388,438	1,544,317
Vocational	388,565	280,558	396,797	288,790
Adult	10,119	10,119		
Other	1,065,961	1,061,477	1,017,544	990,414
Support services:				
Pupil	1,101,146	1,024,150	1,170,406	1,090,645
Instructional staff	1,123,274	1,023,639	958,918	809,507
Board of education	21,706	21,706	21,870	21,870
Administration	1,478,094	1,470,146	1,423,335	1,418,260
Fiscal	549,590	549,590	529,413	529,413
Business	11,435	11,435	12,623	12,623
Operations and maintenance	1,759,512	1,752,215	1,960,048	1,956,718
Pupil transportation	1,105,971	1,082,537	1,048,891	1,028,472
Central	66,248	66,197	65,983	60,983
Operations of non-instructional services:				
Other non-instructional services	170,701	20,063	148,486	(6,473)
Food service operations	890,420	(23,226)	815,121	(88,589)
Extracurricular activities	546,571	256,802	702,909	390,314
Interest and fiscal charges	1,021,209	731,968	1,030,482	741,969
Total Expenses	\$ 21,767,105	\$ 17,714,577	\$ 23,044,984	\$ 17,181,900

The dependence upon tax and other general revenues for governmental activities is apparent, 81.60% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.38%. The District's taxpayers and grants and entitlements from the State of Ohio, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011. General revenues at June 30, 2011 were restated as described in Note 3.C.

Governmental Activities - General and Program Revenues



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$15,853,864, which is lower than last year's balance of \$37,312,444. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase/ <u>(Decrease)</u>
General	\$ 4,493,893	\$ 4,327,472	\$ 166,421
Classroom Facilities	8,611,231	30,049,965	(21,438,734)
Other Governmental	<u>2,748,740</u>	<u>2,935,007</u>	<u>(186,267)</u>
Total	<u>\$ 15,853,864</u>	<u>\$ 37,312,444</u>	<u>\$ (21,458,580)</u>

General Fund

The District's general fund balance increased \$166,421. The increase in fund balance can be attributed to revenues exceeding expenditures during the year.

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 7,158,995	\$ 7,756,726	(7.71) %
Tuition	305,982	333,809	(8.34) %
Earnings on investments	21,817	31,842	(31.48) %
Intergovernmental	10,595,973	10,476,493	1.14 %
Other revenues	<u>319,993</u>	<u>290,756</u>	10.06 %
Total	<u>\$ 18,402,760</u>	<u>\$ 18,889,626</u>	(2.58) %
<u>Expenditures</u>			
Instruction	\$ 10,912,791	\$ 10,630,917	2.65 %
Support services	6,614,771	6,680,639	(0.99) %
Operation of non-instructional services	20,845	38,573	(45.96) %
Extracurricular activities	481,980	466,268	3.37 %
Facilities acquisition and construction		4,858	(100.00) %
Capital outlay	171,298	22,330	667.12 %
Debt service	<u>87,243</u>	<u>89,625</u>	(2.66) %
Total	<u>\$ 18,288,928</u>	<u>\$ 17,933,210</u>	1.98 %

Tuition received is based on the number of open enrollment students coming into the District. Earnings on investments decreased due to a decrease in the amount that the District had invested in federal agency securities at year end compared to the prior year. Other revenues increased due to an increase in miscellaneous local revenues. Property tax revenues decreased due to the decline in advances available and delinquencies for fiscal year 2012 as stated earlier.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Instruction expenditures increased due to an increase in personnel expenses. Expenditures related to operation of non-instructional services decreased due to a decrease in supplies purchased during the previous year. During the current fiscal year the District's capital outlay expenditures increased \$148,968 due to the addition of new capital leases for 3 new copiers and 2 buses.

Classroom Facilities Fund

The classroom facilities fund had \$3,954,357 in revenues and \$25,393,091 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance, decreased \$21,438,734. The large decrease in the classroom facilities fund of \$21,438,734 is due to the District's large construction project expenses.

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.

For the general fund, original budgeted revenues and other financing sources were \$18,684,275 remained the same in the final budgeted revenues. Actual revenues and other financing sources for fiscal year 2012 were \$19,101,142. This represents a \$416,867 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$19,502,714 were \$7,520 more than final appropriations of \$19,495,194. The actual budget basis expenditures for fiscal year 2012 totaled \$18,706,161, which was \$789,033 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$36,813,327 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2012 balances compared to fiscal year 2011:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 1,090,200	\$ 1,090,200
Construction in progress	29,967,341	4,154,755
Land improvements	381,658	211,338
Building and improvements	3,337,545	3,506,738
Furniture and equipment	1,298,863	1,237,041
Vehicles	<u>737,720</u>	<u>688,190</u>
Total	<u>\$ 36,813,327</u>	<u>\$ 10,888,262</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

Total additions to capital assets for 2012 were \$26,453,113. The overall increase in capital assets of \$25,925,065 is primarily due to capital outlays of \$26,453,113 exceeding depreciation expense of \$504,529 and disposals of \$23,519 (net of accumulated depreciation) for fiscal year 2012.

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

Debt Administration

At June 30, 2012, the District had \$321,947 in capital lease obligations, \$921,350 in energy conservation notes and \$22,988,733 in school facilities construction and improvement bonds outstanding. Of this total, \$513,889 is due within one year and \$23,718,141 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2012 compared to fiscal year 2011.

Outstanding Debt, at Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Capital lease obligations	\$ 321,947	\$ 150,161
OSFC Notes	921,350	1,123,000
School Facilities Construction and Improvement Bonds	<u>22,988,733</u>	<u>23,295,819</u>
Total	<u>\$ 24,232,030</u>	<u>\$ 24,568,980</u>

See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

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

The District closely monitors its revenues and expenditures in accordance with its financial forecast. The Board of Education and Administration continue to spend within the budgeted expenditure levels and keep a very close watch on revenue.

A half percent school district income tax was passed February 2001 with hopes of not needing any additional operating levies for many years. Economic events do affect the District. Unfortunately, the income tax revenue collections have not increased as originally thought due to the economy. Changes in school funding, flat real estate values and projected decreases in state per student funding have forced school districts across the State to ask residents for additional revenue. Bellevue, which met 25 out of 26 indicators on the 2010-11 state report card, rated an excellent district, was in such a situation in 2008. With the District's revenue growth not keeping up with the increase in expenditures, the District first asked the voters to approve an additional 3.75 mill property tax in November 2008, however, the proposed tax levy was defeated.

The Administration responded with a restructuring plan that the Board approved for the 2010 fiscal school year. The plan consisted of closing two elementary buildings, relocating elementary students to grade level specific buildings and relocating all sixth graders to the middle school (from the elementary

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

buildings). All preschool through first grade students were housed at Shumaker Elementary. District second graders were housed at Ridge Elementary while all third through fifth grade students were housed at York Elementary. The Ellis and Lyme Elementary buildings were closed. A savings of \$1.2 million resulted from the restructuring. The majority of the savings came from a staff reduction of over 40 staff members. This eliminated the need to ask residents for additional taxes at this point in time.

The Administration continues to analyze each position when retirements or resignations occur. We continue to make reductions in staff through attrition. A reduction of 0.20 FTE was made for the 2010-11 school year. A total of 4.41 positions were reduced for the 2011-12 school year and an additional 13.0 for the 2012-13 school year.

The District's opportunity to receive State monies through the Ohio School Facilities Commission became apparent during the 2009 fiscal year. The District qualified for 41% of the master plan cost to come from the State if local voters approved a tax issue to pay the remaining 59%. After obtaining community input, the master plan was approved which included the building of one new central elementary for grades preschool through five, building one middle school for grades six through eight and renovation of the current high school. Community input also pointed to segmenting the master plan to put a tax issue on the ballot for the elementary and middle school buildings in 2009, but to wait to ask voters for taxes to renovate the high school. In addition to the 41% State share, District officials applied and were granted the ability to issue Quality School Constructions Bonds (QSCB) through the federal stimulus monies at zero to very low interest rates. The District successfully passed a 4.9 mill bond issue that was on the November 3, 2009 ballot. The ability to issue QSCBs and Build America Bonds versus traditional general obligation bonds resulted in an interest savings of \$11 million and shortened tax collection period by ten years. The true interest cost for the total issue was 3.48%.

As part of the master plan for the Ohio School Facilities Commission project, the Shumaker Elementary School was demolished after the 2010 school year to make way for the construction of the new middle school. For the 2011 and 2012 school years, students that were housed at Shumaker Elementary were moved to the following buildings: Preschool to Seybert Methodist Church, kindergarten to Ellis Elementary, first and second grade students to Ridge Elementary.

Construction bids were approved the spring of 2011 with construction commencing as soon as the weather broke. The buildings were opened for the start of the 2012-13 school year. The District administration appreciates the trust the district residents have placed in them in approving the construction of two new buildings. It is a most exciting time for the District!

Contacting the District's Financial Management

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

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

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 19,867,451
Cash and investments with escrow agent.	101,402
Cash in segregated accounts	453,640
Receivables:	
Property taxes	8,555,117
Income taxes.	512,403
Accounts.	65,601
Accrued interest	6,317
Intergovernmental	811,465
Loans.	17,608
Prepayments	16,865
Materials and supplies inventory.	67,221
Unamortized bond issuance costs	327,125
Capital assets:	
Land and construction in progress	31,057,541
Depreciable capital assets, net.	5,755,786
Capital assets, net	<u>36,813,327</u>
 Total Assets.	 <u>67,615,542</u>
 Liabilities:	
Accounts payable.	144,636
Contracts payable.	3,558,337
Retainage payable	453,640
Accrued wages and benefits	1,690,086
Pension obligation payable.	418,413
Intergovernmental payable	102,671
Accrued interest payable	81,147
Claims payable.	898
Unearned revenue	6,515,264
Long-term liabilities:	
Due within one year.	981,033
Due in more than one year.	25,213,654
 Total Liabilities	 <u>39,159,779</u>
 Net Assets:	
Invested in capital assets, net of related debt.	21,520,001
Restricted for:	
Capital projects	871,413
Classroom facilities maintenance	482,206
Debt service	1,190,078
Locally funded programs	9,115
State funded programs.	423
Federally funded programs	775
Student activities	131,672
Other purposes	211,866
Unrestricted.	<u>4,038,214</u>
 Total Net Assets	 <u>\$ 28,455,763</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>			Net (Expense)
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 7,292,651	\$ 417,471	\$ 161,614	\$ (6,713,566)
Special	3,163,932	622	1,501,675	(1,661,635)
Vocational	388,565		108,007	(280,558)
Adult/continuing.	10,119			(10,119)
Other	1,065,961	4,484		(1,061,477)
Support services:				
Pupil.	1,101,146		76,996	(1,024,150)
Instructional staff	1,123,274	582	99,053	(1,023,639)
Board of education	21,706			(21,706)
Administration.	1,478,094	4,290	3,658	(1,470,146)
Fiscal.	549,590			(549,590)
Business.	11,435			(11,435)
Operations and maintenance	1,759,512	4,806	2,491	(1,752,215)
Pupil transportation.	1,105,971		23,434	(1,082,537)
Central	66,248		51	(66,197)
Operation of non-instructional services:				
Other non-instructional services	170,701	19,837	130,801	(20,063)
Food service operations	890,420	412,617	501,029	23,226
Extracurricular activities.	546,571	289,769		(256,802)
Interest and fiscal charges	1,021,209		289,241	(731,968)
Totals	\$ 21,767,105	\$ 1,154,478	\$ 2,898,050	(17,714,577)

General Revenues:

Property taxes levied for:

General purposes	5,797,989
Special revenue	127,304
Debt service.	987,014
Capital projects.	268,682
School district income tax	1,372,892
Grants and entitlements not restricted to specific programs	9,923,088
Investment earnings	55,301
Miscellaneous	133,757

Total General Revenues 18,666,027

Change in Net Assets 951,450

Net Assets at Beginning of Year (Restated) 27,504,313

Net Assets at End of Year \$ 28,455,763

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 5,073,241	\$ 11,970,757	\$ 2,823,453	\$ 19,867,451
Cash and investments with escrow agent			101,402	101,402
Cash in segregated accounts		453,640		453,640
Receivables:				
Property taxes	6,899,353		1,655,764	8,555,117
Income taxes	512,403			512,403
Accounts	9,581		56,020	65,601
Intergovernmental	5,766	676,931	128,768	811,465
Accrued interest	262	5,834	221	6,317
Interfund loans	164,610			164,610
Loans	17,608			17,608
Prepayments	15,630		1,235	16,865
Materials and supplies inventory	50,587		16,634	67,221
Total Assets	\$ 12,749,041	\$ 13,107,162	\$ 4,783,497	\$ 30,639,700
Liabilities:				
Accounts payable	\$ 72,418	\$ 7,282	\$ 64,936	\$ 144,636
Contracts payable		3,538,987	19,350	3,558,337
Retainage payable		453,640		453,640
Accrued wages and benefits	1,501,141		188,945	1,690,086
Compensated absences payable	333,236		19,358	352,594
Pension obligation payable	367,040		51,373	418,413
Interfund loans payable			164,610	164,610
Intergovernmental payable	92,984		9,687	102,671
Claims payable	898			898
Deferred revenue	631,292	496,022	257,373	1,384,687
Unearned revenue	5,256,139		1,259,125	6,515,264
Total Liabilities	8,255,148	4,495,931	2,034,757	14,785,836
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	50,587		16,634	67,221
Prepays	15,630		1,235	16,865
Restricted:				
Debt service			1,181,733	1,181,733
Capital improvements		8,611,231	602,613	9,213,844
Classroom facilities maintenance			482,206	482,206
Food service operations			211,879	211,879
Other purposes			10,478	10,478
Extracurricular			131,672	131,672
Committed:				
Capital improvements			284,065	284,065
Assigned:				
Student instruction	80,023			80,023
Student and staff support	264,315			264,315
Subsequent year appropriations	927,053			927,053
Uniform school supplies	552			552
Other purposes	18,928			18,928
Unassigned (deficit)	3,136,805		(173,775)	2,963,030
Total Fund Balances	4,493,893	8,611,231	2,748,740	15,853,864
Total Liabilities and Fund Balances	\$ 12,749,041	\$ 13,107,162	\$ 4,783,497	\$ 30,639,700

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total Governmental Fund Balances		\$	15,853,864
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			36,813,327
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	661,368	
Income taxes receivable		92,564	
Accrued interest receivable		3,836	
Intergovernmental receivable		626,919	
Total		<u>626,919</u>	1,384,687
Unamortized premiums on bond issuances are not recognized in the funds.			(327,132)
Unamortized bond issuance costs are not recognized in the funds.			327,125
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(81,147)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
School facilities construction and improvement bonds		(22,988,733)	
Energy conservation notes		(921,350)	
Capital lease obligation		(321,947)	
Compensated absences payable		(1,282,931)	
Total		<u>(25,514,961)</u>	<u>(25,514,961)</u>
Net Assets of Governmental Activities		\$	<u>28,455,763</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 5,878,667		\$ 1,401,744	\$ 7,280,411
Income taxes	1,280,328			1,280,328
Tuition	305,982			305,982
Charges for services			409,443	409,443
Earnings on investments	21,817	\$ 27,334	14,670	63,821
Extracurricular	45,474		195,922	241,396
Classroom materials and fees	75,322			75,322
Rental income	2,755			2,755
Contributions and donations	6,507		4,825	11,332
Other local revenues	189,935		50,627	240,562
Intergovernmental - state	10,532,944	3,927,023	485,013	14,944,980
Intergovernmental - federal	63,029		1,852,080	1,915,109
Total Revenues.	<u>18,402,760</u>	<u>3,954,357</u>	<u>4,414,324</u>	<u>26,771,441</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,914,730		423,811	7,338,541
Special	2,548,127		601,024	3,149,151
Vocational	380,958			380,958
Adult/continuing	10,119			10,119
Other	1,058,857			1,058,857
Support services:				
Pupil	1,058,242		79,382	1,137,624
Instructional staff	843,178		278,203	1,121,381
Board of education	21,706			21,706
Administration	1,466,936		3,500	1,470,436
Fiscal	515,897		42,151	558,048
Business	11,435			11,435
Operations and maintenance	1,637,044		25,351	1,662,395
Pupil transportation	999,689		3,275	1,002,964
Central	60,644			60,644
Operation of non-instructional services:				
Operation of non-instructional	20,845		163,972	184,817
Food service operations			844,463	844,463
Extracurricular activities	481,980		274,568	756,548
Facilities acquisition and construction		25,393,091	349,394	25,742,485
Capital outlay	171,298		152,900	324,198
Debt service:				
Principal retirement	73,943		576,586	650,529
Interest and fiscal charges	13,300		980,497	993,797
Total Expenditures	<u>18,288,928</u>	<u>25,393,091</u>	<u>4,799,077</u>	<u>48,481,096</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>113,832</u>	<u>(21,438,734)</u>	<u>(384,753)</u>	<u>(21,709,655)</u>
Other Financing Sources (Uses):				
Sale of assets	12,328			12,328
Transfers in			209,412	209,412
Transfers (out)	(85,762)		(123,650)	(209,412)
Capital lease transaction	171,298		152,900	324,198
Total Other Financing Sources (Uses)	<u>97,864</u>		<u>238,662</u>	<u>336,526</u>
Net Change in Fund Balances	211,696	(21,438,734)	(146,091)	(21,373,129)
Fund Balances at Beginning of Year	4,327,472	30,049,965	2,935,007	37,312,444
Decrease in Reserve for Inventory	(45,275)		(40,176)	(85,451)
Fund Balances at End of Year.	<u>\$ 4,493,893</u>	<u>\$ 8,611,231</u>	<u>\$ 2,748,740</u>	<u>\$ 15,853,864</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (21,373,129)

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

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

Capital asset additions	\$	26,453,113	
Current year depreciation		(504,529)	
Total			25,948,584

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (23,519)

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

Property taxes		(99,422)	
Income taxes		92,564	
Earnings on investments		(7,076)	
Intergovernmental		(4,038,556)	
Total			(4,052,490)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (85,451)

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds		335,000	
Notes		201,650	
Capital leases		113,879	
Total			650,529

Capital lease obligation payable balance forgiven as part of the lease trade-in agreement. This reduces the long-term obligations on the statement of net assets. 38,533

Proceeds of capital lease transactions are recorded as other financing sources in the funds however, on the statement of activities, the proceeds increase the liabilities on the statement of net assets. (324,198)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable		501	
Accreted interest on capital appreciation bonds		(27,914)	
Amortization of bond issuance costs		(12,870)	
Amortization of bond premiums		12,871	
Total			(27,412)

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

Decrease in compensated absences payable			200,003
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Change in Net Assets of Governmental Activities \$ 951,450

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property taxes	\$ 6,279,802	\$ 6,309,763	\$ 6,443,764	\$ 134,001
Income taxes	1,236,732	1,236,732	1,293,269	56,537
Tuition	300,650	244,454	305,982	61,528
Earnings on investments	34,000	34,000	21,682	(12,318)
Classroom materials and fees	49,400	49,400	48,701	(699)
Rental income	1,079	1,079	2,980	1,901
Other local revenues	100,000	100,000	146,317	46,317
Intergovernmental - state	10,397,601	10,423,836	10,532,944	109,108
Intergovernmental - federal	60,000	60,000	63,029	3,029
Total Revenues	18,459,264	18,459,264	18,858,668	399,404
Expenditures:				
Current:				
Instruction:				
Regular	7,186,165	7,201,972	6,964,972	237,000
Special	2,529,260	2,546,658	2,548,472	(1,814)
Vocational	372,412	410,801	397,133	13,668
Adult/continuing	11,796	11,550	10,000	1,550
Other	1,098,657	1,075,725	1,054,521	21,204
Support services:				
Pupil	1,095,420	1,124,081	1,100,260	23,821
Instructional staff	912,541	910,239	863,124	47,115
Board of education	27,846	27,265	21,579	5,686
Administration	1,688,281	1,679,982	1,520,015	159,967
Fiscal	536,025	533,267	524,400	8,867
Business	13,048	12,776	12,601	175
Operations and maintenance	2,128,506	2,087,089	1,876,243	210,846
Pupil transportation	1,095,634	1,078,032	1,011,250	66,782
Central	71,983	74,211	69,019	5,192
Extracurricular activities	463,751	456,766	452,971	3,795
Facilities acquisition and construction	1,389	11,360		11,360
Total Expenditures	19,232,714	19,241,774	18,426,560	815,214
Excess (Deficiency) of Revenues Over (Under) Expenditures	(773,450)	(782,510)	432,108	1,214,618
Other Financing Sources (Uses):				
Refund of prior year's expenditures	5,000	5,000	10,135	5,135
Refund of prior year's receipts			(5,537)	(5,537)
Transfers (out)	(120,000)	(103,420)	(91,847)	11,573
Advances in	220,011	220,011	220,011	
Advances (out)	(150,000)	(150,000)	(182,217)	(32,217)
Sale of capital assets			12,328	12,328
Total Other Financing Sources (Uses)	(44,989)	(28,409)	(37,127)	(8,718)
Net Change in Fund Balance	(818,439)	(810,919)	394,981	1,205,900
Fund Balance at Beginning of Year	4,038,073	4,038,073	4,038,073	
Prior Year Encumbrances Appropriated	195,069	195,069	195,069	
Fund Balance at End of Year	\$ 3,414,703	\$ 3,422,223	\$ 4,628,123	\$ 1,205,900

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 9,511	\$ 90,806
Receivables:		
Accounts		23
Total Assets.	\$ 9,511	\$ 90,829
Liabilities:		
Accounts payable		\$ 5,361
Due to students.		67,860
Loans payable		17,608
Total Liabilities		\$ 90,829
Net assets:		
Held in trust for scholarships	\$ 9,511	
Total Net Assets	\$ 9,511	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 28
Gifts and contributions	2,080
Total Additions.	2,108
Deductions:	
Scholarships awarded	1,000
Change in Net Assets	1,108
Net Assets at Beginning of Year.	8,403
Net Assets at End of Year	\$ 9,511

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Bellevue City School District, Huron County, Ohio, (the "District") operates under a locally-elected, five-member Board form of government and provides educational services as authorized or mandated by State and/or federal agencies. This Board controls the District's seven instructional/support facilities staffed by 92 non-certified employees and 154 certified teaching personnel to provide services to approximately 2,123 students and other community members.

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

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

The District is the 239th largest in the State of Ohio (among 918 public and community school districts) in terms of enrollment. It currently operates 3 elementary schools, 1 middle school, 1 comprehensive high school, 1 administration building and 1 bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

RELATED ORGANIZATION

Bellevue Public Library

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the BACG are natural gas and insurance. The cost to the District is an administrative charge, assessed only if it participates. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms, which are staggered. The District paid \$45,871 to Bay Area Council of Governments for natural gas in fiscal year 2012. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$81,704 to NOECA for services in fiscal year 2012. Financial information can be obtained by contacting Matt Bauer, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative (“the Cooperative”) is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOL

Sheakley Workers’ Compensation Group Retrospective Rating Plan

The District participates in a group retrospective rating plan for workers’ compensation. The Sheakley Workers’ Compensation Group Retrospective Rating Plan is a program where the District will continue to pay their individual bureau of workers’ compensation premiums for the program year as required. The Bureau of Workers Compensation will evaluate the group’s claim losses (compensation and medical costs, as well as claim reserves), at 12, 24 and 36 months following the end of the group retro policy year. If the Bureau of Workers Compensation findings result in a group retrospective premium calculation lower than the group’s standard premium, participating employers may be entitled to a refund. Each year, the participating school districts pay an enrollment fee to Sheakley to cover the costs of administering the program.

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activity.

C. Basis of Presentation and Measurement Focus

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the period in which the income is earned (See Note 7).

**BELLEVUE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2012, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the fiscal year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**BELLEVUE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

2. By no later than January 31, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District. The amounts reported in the budgetary statement reflect the amounts set forth in the first and final amended certificates of estimated resources issued for fiscal year 2012.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2012. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

F. Cash and Investments

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

During fiscal year 2012, investments were limited to Federal Home Loan Bank (FHLB) securities, U.S. Government money markets and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2012 amounted to \$21,817, which includes \$1,294 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

**BELLEVUE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets. Receivables and payables resulting from short-term interfund loans between governmental funds and agency funds are classified as "loans receivable/payable" on the Statement of Net Assets, balance sheet, and statement of fiduciary net assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted for food service and special trusts. The District had no net assets restricted by enabling legislation.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

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

On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

O. Estimates

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

P. Unamortized Issuance Costs/Bond Premium and Discount

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the Statement of Net Assets is presented in Note 11.A.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

<u>Nonmajor funds</u>	<u>Deficit</u>
Auxiliary services	\$ 4,511
Education jobs	36,203
Race to the top	3,446
IDEA part B	71,048
Stimulus title II D	2,354
Title I	40,275
IDEA part B - preschool stimulus	26
Improving teacher quality	15,912

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

C. Restatement of Net Assets

The District has restated the governmental activities net assets at June 30, 2011 due to an overstatement of delinquent property taxes recorded as revenue in the prior year. The restatement had the following effect on net assets as previously reported:

	<u>Governmental Activities</u>
Net Assets at June 30, 2011	\$ 28,044,055
Overstatement of delinquent property taxes	<u>(539,742)</u>
Restated Net Assets at June 30, 2011	<u>\$ 27,504,313</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash and Investments with Escrow Agent

At fiscal year end, \$101,402 was on deposit with an escrow agent for monies held in relation to the District's sinking fund deposits that are required for the District's Series 2010A bonds (See Note 11.C.). These funds are included as "investments" below.

B. Cash in Segregated Accounts

At fiscal year end, \$453,640 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts."

C. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$4,424,235. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$4,217,444 of the District's bank balance of \$4,529,455 was exposed to custodial risk as discussed below, while \$312,011 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2012, the District had the following investments and maturities:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 4,621,824	\$ 4,621,824				
FHLB	5,373,226	1,800,877	\$ 3,474,180			\$ 98,169
FHLB discount notes	5,354,929	5,354,929				
U.S. government money market	294,956	294,956				
Total	\$ 15,644,935	\$ 12,072,586	\$ 3,474,180			\$ 98,169

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

Credit Risk: The District's investments in federal securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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 federal agency securities and U.S. Treasury bills are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. 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 that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 4,621,824	29.54
FHLB	5,373,226	34.34
FHLB discount notes	5,354,929	34.23
U.S. Government money market	294,956	1.89
Total	\$ 15,644,935	100.00

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the Statement of Net Assets as of June 30, 2012:

Carrying amount of deposits	\$ 4,424,235
Investments	15,644,935
Cash in segregated accounts	<u>453,640</u>
Total	<u><u>\$ 20,522,810</u></u>

<u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 20,422,493
Private-purpose trust fund	9,511
Agency fund	<u>90,806</u>
Total	<u><u>\$ 20,522,810</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2012 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 164,610</u>

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

Interfund balances between governmental funds are eliminated on the government-wide Statement of Net Assets.

B. Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 85,762
Nonmajor governmental funds	<u>123,650</u>
Total	<u><u>\$ 209,412</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer of \$123,650 from the building fund (a nonmajor governmental fund) to the debt service fund (a nonmajor governmental fund) was for the payment of principal on the energy conservation notes.

All transfers made in fiscal year 2012 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide Statement of Activities.

- C. Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 17,608</u>

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 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 December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

The District receives property taxes from Erie, Huron, Sandusky and Seneca Counties. 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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,110,252 in the general fund, \$78,626 in the permanent improvement fund (a nonmajor governmental fund) and \$189,607 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,675,349 in the general fund, \$119,206 in the permanent improvement fund (a nonmajor governmental fund) and \$289,194 in the debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 244,769,200	97.00	\$ 249,588,590	96.92
Public utility personal	<u>7,592,780</u>	<u>3.00</u>	<u>7,927,060</u>	<u>3.08</u>
Total	<u>\$ 252,361,980</u>	<u>100.00</u>	<u>\$ 257,515,650</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$43.10		\$42.90

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District maintains a five year .5% income tax through 2012 on the income of individuals and estates. The tax is to be used for normal operating expenses of the District, and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2012 was \$1,280,328.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental activities:

Property taxes	\$ 8,555,117
Income taxes	512,403
Accounts	65,601
Intergovernmental	811,465
Accrued interest	<u>6,317</u>
Total	<u>\$ 9,950,903</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio Schools Facilities Commission intergovernmental receivable of \$676,931, which will be collected over the duration of the construction project.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/12</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,090,200			\$ 1,090,200
Construction in progress	4,154,755	\$ 25,812,586		29,967,341
Total Capital Assets, not being depreciated	<u>5,244,955</u>	<u>25,812,586</u>		<u>31,057,541</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	823,077	190,546		1,013,623
Buildings and improvements	7,611,632	18,669		7,630,301
Furniture and equipment	3,842,186	260,128	\$ (185,649)	3,916,665
Vehicles	1,481,206	171,184		1,652,390
Total Capital Assets, being depreciated	<u>13,758,101</u>	<u>640,527</u>	<u>(185,649)</u>	<u>14,212,979</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(611,739)	(20,226)		(631,965)
Buildings and improvements	(4,104,894)	(187,862)		(4,292,756)
Furniture and equipment	(2,605,145)	(174,787)	162,130	(2,617,802)
Vehicles	(793,016)	(121,654)		(914,670)
Total Accumulated Depreciation	<u>(8,114,794)</u>	<u>(504,529)</u>	<u>162,130</u>	<u>(8,457,193)</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,888,262</u>	<u>\$ 25,948,584</u>	<u>\$ (23,519)</u>	<u>\$ 36,813,327</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 218,061
Special	15,255
Other	7,104
<u>Support services:</u>	
Instructional staff	15,809
Administration	6,566
Operations and maintenance	113,760
Pupil transportation	103,843
Central	3,081
Extracurricular activities	15,739
Food service operations	5,311
Total Depreciation Expense	<u>\$ 504,529</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of furniture and equipment and vehicles have been capitalized in the amount of \$573,330. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 was \$264,280, leaving a current book value of \$309,050. A corresponding liability was recorded in the government-wide Statement of Net Assets. Principal payments in the 2012 fiscal year were as follows: \$73,943 paid by the general fund and \$39,936 paid by the permanent improvement fund (a nonmajor governmental fund). In addition to the amount of principal retired, the District also traded in capital leases with a principal balance of \$38,533.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 113,544
2014	83,618
2015	77,550
2016	73,514
2017	<u>3,232</u>
Total minimum lease payments	351,458
Less: amount representing interest	<u>(29,511)</u>
Total	<u>\$ 321,947</u>

In calculating invested in capital assets, net of related debt on the Statement of Net Assets, capital leases capitalized have outstanding debt at June 30, 2012 in the amount of \$319,544.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2012, the following changes occurred in the governmental activities long-term obligations:

	Balance			Balance	Amounts
	06/30/11	Additions	Reductions	06/30/12	Due in One Year
Governmental activities:					
Energy conservation notes	\$ 1,123,000		\$ (201,650)	\$ 921,350	\$ 68,772
General obligation bonds:					
Series 2010A	9,255,000		(260,000)	8,995,000	270,000
Series 2010B and C	14,040,819	\$ 27,914	(75,000)	13,993,733	75,000
Capital lease obligation	150,161	324,198	(152,412)	321,947	100,117
Compensated absences	1,849,346	278,133	(491,954)	1,635,525	467,144
Total long-term obligations	<u>\$ 26,418,326</u>	<u>\$ 630,245</u>	<u>\$ (1,181,016)</u>	<u>25,867,555</u>	<u>\$ 981,033</u>
Add: unamortized premium				<u>327,132</u>	
Total on Statement of Net Assets				<u>\$ 26,194,687</u>	

Compensated Absences: Compensated absences will be paid from the fund which the employee's salaries are paid, which for the District is primarily the general fund.

Capital Lease Obligations: The capital lease obligations will be paid from the general fund and the permanent improvement fund (a nonmajor governmental fund). See Note 10 for details.

- B. *Energy Conservation Notes:* In 2010 fiscal year, the District issued \$1,200,000 in energy conservation notes. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the Statement of Net Assets. Payments of principal and interest relating to these notes will be recorded as expenditures in the debt service fund (a nonmajor governmental fund).

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 68,772	\$ 4,435	\$ 73,207
2014	69,116	4,090	73,206
2015	69,461	3,744	73,205
2016	69,808	3,395	73,203
2017	70,157	3,046	73,203
2018 - 2022	356,084	9,917	366,001
2023 - 2025	217,952	1,638	219,590
Total	<u>\$ 921,350</u>	<u>\$ 30,265</u>	<u>\$ 951,615</u>

- C. School Facilities Construction and Improvement Bonds - Series 2010A:** On February 18, 2010, the District issued \$9,400,000 of Qualified School Construction Bonds (QSCBs) to finance building construction and improvements. This issue is comprised of current interest term bonds, par value \$9,400,000.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the Statement of Net Assets. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2026. The following is a schedule of activity for the Series 2010A QSCBs:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Current interest bonds - 2010 A series	\$ 9,255,000		\$ (260,000)	\$ 8,995,000

For QSCBs, the District receives a direct payment subsidy from the United States Treasury equal to 100% of the lesser of the interest payments on the bonds or the federal tax credits that would otherwise have been available to the holders of the bonds. The District records this subsidy from the federal government in the debt service fund (a nonmajor governmental fund).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

\$3,000,000 of the QSCBs are subject to mandatory sinking fund deposits. The District is required to maintain a sinking fund account and deposit monies each December 1 into the account for payment of the bonds at maturity on December 1, 2026. During fiscal year 2012, the District made \$60,437 in sinking fund deposits which represent the total deposits into the sinking fund since inception. The payments into the sinking fund are made through the debt service fund (a nonmajor governmental fund). On the financial statements, the fair value of the investments accumulated in the sinking fund in the amount of \$101,402 is reported as “cash and investments with escrow agent”.

The following is a schedule of future sinking fund deposits required to be made into the District’s sinking fund account:

<u>Fiscal Year</u>	<u>Sinking Fund Required Deposit</u>
2013	\$ 65,713
2014	74,078
2015	80,187
2016	86,688
2017	99,846
2018 - 2022	657,306
2023 - 2026	811,433
Total	<u>\$ 1,875,251</u>

The following is a summary of the future debt service requirements to maturity the \$3,000,000 portion of the QSCBs subject to the District’s sinking fund account:

<u>Fiscal Year Ending June 30,</u>	<u>Current Interest Bonds - Series 2010A - Bullet Maturity</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		\$ 45,000	\$ 45,000
2014		45,000	45,000
2015		45,000	45,000
2016		45,000	45,000
2017		45,000	45,000
2018 - 2022		225,000	225,000
2023 - 2027	\$ 3,000,000	202,500	3,202,500
Total	<u>\$ 3,000,000</u>	<u>\$ 652,500</u>	<u>\$ 3,652,500</u>

The following is a schedule of the future debt service on the remaining \$6,400,000 of the QSCBs:

**BELLEVUE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2010A - Term Bonds		
	Principal	Interest	Total
2013	\$ 270,000	\$ 87,900	\$ 357,900
2014	290,000	83,700	373,700
2015	300,000	79,275	379,275
2016	315,000	74,662	389,662
2017	330,000	69,825	399,825
2018 - 2022	1,980,000	266,474	2,246,474
2023 - 2027	2,510,000	93,826	2,603,826
Total	<u>\$ 5,995,000</u>	<u>\$ 755,662</u>	<u>\$ 6,750,662</u>

- D. School Facilities Construction and Improvement Bonds - Series 2010B and 2010C:** On March 10, 2010, the District issued Series 2010B current interest serial bonds, par value \$565,000, Series 2010b capital appreciation bonds, par value \$249,991, and Series 2010C current interest Building America Bonds (BABs), par value \$13,195,000, to finance building construction and improvements. The interest rates on the current interest bonds range from .08% to 6.45%. The capital appreciation bonds mature on December 1, 2029 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,490,000. Total accreted interest of \$58,742 has been included in the Statement of Net Assets at June 30, 2012. \$8,877,566 of the proceeds of these bonds, along with the \$357,164 bond premium at issuance, were unspent at June 30, 2012.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the Statement of Net Assets. Payments of principal and interest relating to this bond will be recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2037.

The following is a schedule of activity for the Series 2010B and Series 2010C bonds:

**BELLEVUE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Current interest bonds -				
2010B serial	\$ 565,000		\$ (75,000)	\$ 490,000
2010C BABs	13,195,000			13,195,000
Capital appreciation bonds -				
2010B	249,991			249,991
Capital appreciation bonds -				
Accreted interest	30,828	\$ 27,914		58,742
Total	\$ 14,040,819	\$ 27,914	\$ (75,000)	\$ 13,993,733

The District receives a direct payment subsidy from the United States Treasury equal to thirty-five percent of the corresponding interest payments due on the BABs. The District records this subsidy from the federal government in the debt service fund (a nonmajor governmental fund).

The following is a summary of the future debt service requirements to maturity for the 2010B and Series 2010C bonds:

Fiscal Year Ending June 30.	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 75,000	\$ 836,430	\$ 911,430			
2014	80,000	834,880	914,880			
2015	80,000	833,280	913,280			
2016	85,000	831,630	916,630			
2017	85,000	829,760	914,760			
2018 - 2022	465,000	4,094,567	4,559,567			
2023 - 2027	670,000	3,955,926	4,625,926			
2028 - 2032	3,535,000	3,413,018	6,948,018	\$ 249,991	\$ 1,240,009	\$ 1,490,000
2033 - 2037	6,965,000	1,701,787	8,666,787			
2038	1,645,000	53,051	1,698,051			
Total	\$ 13,685,000	\$ 17,384,329	\$ 31,069,329	\$ 249,991	\$ 1,240,009	\$ 1,490,000

**BELLEVUE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$1,428,151 (including available funds of \$1,181,733) and an unvoted debt margin of \$257,516.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

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

Coverage	Insurer	Limits of Coverage	Deductible
General Liability	Ohio School Plan		
Each occurrence		\$ 2,000,000	
Aggregate		4,000,000	
Building and contents	Ohio School Plan	56,139,087	1,000
Fleet:	Ohio School Plan		
Comprehensive		1,000,000	1,000
Collision		1,000,000	1,000
Umbrella liability:	Ohio School Plan		
Each Occurrence		Included above	
Aggregate		Included above	

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 12 - RISK MANAGEMENT – (Continued)

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

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

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

C. Worker's Compensation

For fiscal year 2012, the District participated in the Sheakley Workers' Compensation Group Retrospective Rating Plan (Group Retro). The intent of the Group Retro is to reward participants that are able to keep their individual claim costs below a predetermined amount. The District continues to pay their individual premium; however, the District will have the opportunity to receive retrospective premium adjustments (refunds or assessments) at the end of the three evaluation periods. The group's retrospective premium will be calculated at 12, 24, and 36 months after the end of the policy year. At the end of each period, the Bureau of Workers Comp (BWC) will take a snap-shot of the incurred claims losses for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, all the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by the BWC. Sheakley provides administrative, cost control and actuarial services to the Group Retro program.

The Group Retro program is accounted for the general fund which pays for all claims, claim reserves and administrative costs of the program. The general fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. The claims liability is recorded based on an actuarial determination of future claims. Claims activity for fiscal year 2012 and 2011 follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 12 - RISK MANAGEMENT – (Continued)

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2012		\$ 2,094	\$ (1,196)	\$ 898
2011		883	(883)	

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$356,180, \$333,130 and \$348,726, respectively; 63.32 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 - PENSION PLANS – (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon 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 STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,175,337, \$1,198,704 and \$1,170,959, respectively; 83.98 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$31,127 made by the District and \$22,233 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$57,239, \$96,463 and \$56,322, respectively; 63.32 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$21,034, \$21,438 and \$20,738, respectively; 63.32 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$90,411, \$92,208 and \$90,074, respectively; 83.98 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 394,981
Net adjustment for revenue accruals	(564,756)
Net adjustment for expenditure accruals	(124,559)
Net adjustment for other sources/uses	128,906
Funds budgeted elsewhere	7,407
Adjustment for encumbrances	369,717
GAAP basis	\$ 211,696

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the uniform school supplies fund, the special trust fund and the rotary fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is party to legal proceedings, however they are vigorously challenging and an amount of potential liabilities is not known.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 17 - SET ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$ 357,493
Current year offsets	<u>(600,799)</u>
Total	<u>\$ (243,306)</u>
Balance carried forward to fiscal year 2013	<u> </u>
Set-aside balance June 30, 2012	<u> </u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 18 - CONTRACTUAL COMMITMENTS

On June 30, 2012, the District had the following contractual commitments outstanding related to the construction project described in Note 11. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2012</u>	<u>Remaining Contract Amount</u>
ACI Construction Company	\$ 1,008,577	\$ 952,010	\$ 56,567
Adena Corporation	9,062,606	7,305,420	1,757,186
Continental Office	635,710		635,710
Hi-Tech Electric	1,722,632	1,240,439	482,193
Martin Public Seating	98,870		98,870
Oakland Plumbing	1,498,219	1,295,041	203,178
Telamon Construction Company	7,535,821	5,320,198	2,215,623
Tom Sexton & Associates	460,848		460,848
Valley Electrical	434,667	338,050	96,617
Vaughn Industries, LLC.	4,595,002	3,672,546	922,456
Vulcan Enterprises, Inc.	329,727	270,423	59,304
Warner Mechanical	1,494,818	1,275,379	219,439
Zenith	<u>285,750</u>	<u>163,805</u>	<u>121,945</u>
Total	<u>\$ 29,163,247</u>	<u>\$ 21,833,311</u>	<u>\$ 7,329,936</u>

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 452,391
Classroom facilities	11,529,753
Other governmental	<u>361,018</u>
Total	<u>\$ 12,343,162</u>

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**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	\$ 52,769	\$ 52,769
Cash Assistance	10.555	362,378	362,378
Total - National School Lunch Program		415,147	415,147
School Breakfast Program	10.553	85,934	85,934
Total United States Department of Agriculture		501,081	501,081
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education</i>			
<u>Special Education Cluster (IDEA):</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	472,848	473,998
ARRA - Special Education - Grants to States (IDEA, Part B)	84.391	40,670	51,122
Special Education - Preschool Grants (IDEA Preschool)	84.173	23,826	23,983
Total - Special Education Cluster (IDEA)		537,344	549,103
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	344,833	345,495
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	28,271	43,176
Total - Title I, Part A Cluster		373,104	388,671
Safe and Drug Free Schools	84.186	10,000	10,000
Improving Teacher Quality State Grants	84.367	86,328	87,067
ARRA - Race to the Top	84.395	39,143	46,319
Education Jobs Fund	84.410	257,530	267,208
Total United States Department of Education		1,303,449	1,348,368
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 1,804,530	\$ 1,849,449

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Bellevue City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain federal programs require the District to contribute non-federal funds (matching funds) to support the federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Bellevue City School District
Huron County
125 North Street
P.O. Box 8003
Bellevue, Ohio 44811-8003

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2013. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 15, 2013.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 15, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Bellevue City School District
125 North Street
P.O. Box 8003
Bellevue, Ohio 44811-8003

To the Board of Education:

Compliance

We have audited the compliance of Bellevue City School District, Huron County, Ohio (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 could directly and materially affect the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to major federal programs. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, Bellevue City School District, Huron County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 15, 2013

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster – School Breakfast Program, CFDA #10.553; National School Lunch Program CFDA #10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

BELLEVUE CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 4, 2013**