

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2010***

NANCY BEIER, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bellevue City School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

January 12, 2011

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

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 the Bellevue City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Bellevue City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bellevue City School 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellevue City School District, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010 on our consideration of the Bellevue City School 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.

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

Independent Auditor's Report
Bellevue City School District
Page Two

We conducted our audit to opine on the financial statements that collectively comprise the Bellevue City School District's basic financial statements. The schedule of receipts and expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected the schedule of receipts and expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 8, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Bellevue City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities increased \$18,644,995 which represents a 281.06% increase from 2009.
- General revenues accounted for \$35,866,232 in revenue or 88.62% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,605,788 or 11.38% of total revenues of \$40,472,020.
- The District had \$21,827,025 in expenses related to governmental activities; only \$4,605,788 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 \$35,866,232 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the debt service fund and the classroom facilities fund. The general fund had \$18,735,129 in revenues and other financing sources and \$17,752,052 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance, increased \$1,004,289 from \$2,381,747 to \$3,386,036.
- The debt service fund had \$15,291,181 in revenues and other financing sources and \$14,626,591 in expenditures. During fiscal year 2010, the debt service fund's fund balance, increased \$664,590.
- The classroom facilities fund had \$23,745,708 in revenues and other financing sources and \$299,846 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance, increased \$23,445,862.

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, the debt service fund and the classroom facilities fund are by far the most significant funds and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the debt service 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. The basic governmental fund financial statements can be found on pages 16-20 of this report.

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 on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-53 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 54,108,894	\$ 11,414,682
Capital assets, net	<u>6,871,682</u>	<u>4,954,280</u>
Total assets	<u>60,980,576</u>	<u>16,368,962</u>
<u>Liabilities</u>		
Current liabilities	8,707,433	7,717,318
Long-term liabilities	<u>26,994,408</u>	<u>2,017,904</u>
Total liabilities	<u>35,701,841</u>	<u>9,735,222</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	6,466,780	4,605,394
Restricted	17,131,391	611,176
Unrestricted	<u>1,680,564</u>	<u>1,417,170</u>
Total net assets	<u>\$ 25,278,735</u>	<u>\$ 6,633,740</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$25,278,735.

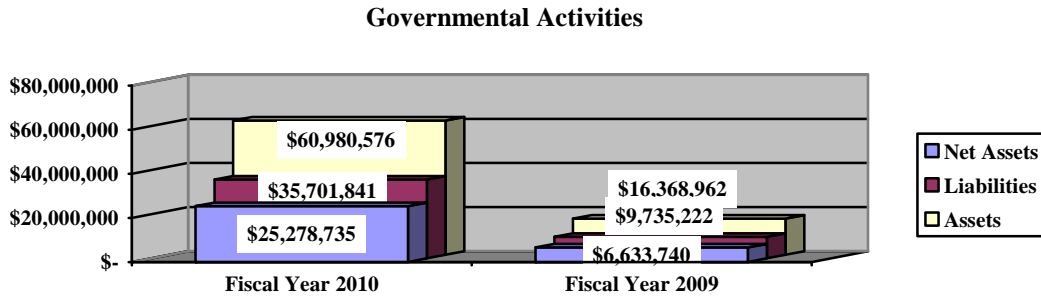
At year-end, capital assets represented 11.27% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$6,466,780. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$17,131,391, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,409,231 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities assets, liabilities, and net assets for fiscal year 2010 and 2009.



The table below shows the change in net assets for fiscal years 2010 and 2009.

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,028,458	\$ 980,571
Operating grants and contributions	2,689,449	2,861,587
Capital grants and contributions	887,881	22,861
General revenues:		
Property taxes	7,474,303	6,482,847
School district income taxes	1,560,972	1,646,802
Grants and entitlements	26,489,921	9,760,086
Investment earnings	94,024	82,339
Other	<u>247,012</u>	<u>112,663</u>
Total revenues	<u>\$ 40,472,020</u>	<u>\$ 21,949,756</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,695,342	\$ 7,873,447
Special	3,030,444	3,119,442
Vocational	402,596	457,984
Adult	5,308	4,244
Other	979,914	747,720
Support services:		
Pupil	1,338,750	1,253,039
Instructional staff	877,519	1,299,852
Board of education	20,924	28,266
Administration	1,823,552	1,537,470
Fiscal	505,727	493,358
Business	12,618	15,770
Operations and maintenance	1,871,032	2,241,020
Pupil transportation	1,296,022	974,427
Central	70,994	95,005
Operations of non-instructional services:		
Other non-instructional services	88,971	217,765
Food service operations	798,773	801,407
Extracurricular activities	658,592	692,125
Interest and fiscal charges	<u>349,947</u>	<u>32,016</u>
Total expenses	<u>21,827,025</u>	<u>21,884,357</u>
Change in net assets	18,644,995	65,399
Net assets at beginning of year	<u>6,633,740</u>	<u>6,568,341</u>
Net assets at end of year	<u>\$ 25,278,735</u>	<u>\$ 6,633,740</u>

Governmental Activities

Net assets of the District's governmental activities increased \$18,644,995. Total governmental expenses of \$21,827,025, were offset by program revenues of \$4,605,788 and general revenues of \$35,866,232. Program revenues supported 21.10% of the total governmental expenses.

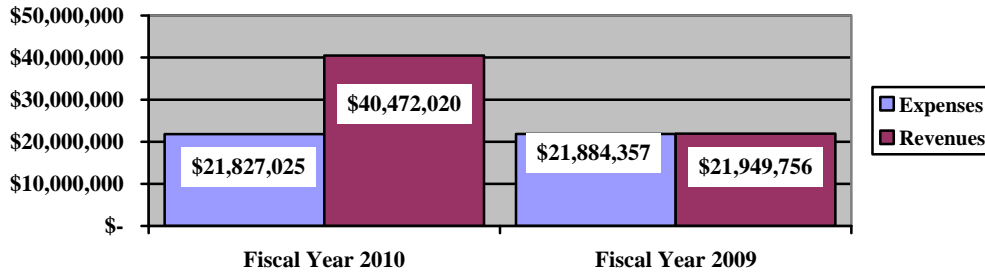
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 87.78% of total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

Governmental Activities - Revenues and Expenses



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

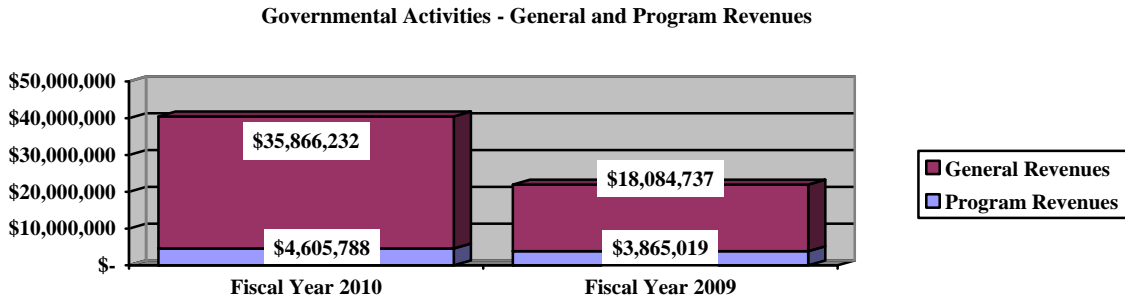
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Program expenses				
Instruction:				
Regular	\$ 7,695,342	\$ 6,482,411	\$ 7,873,447	\$ 7,215,964
Special	3,030,444	2,143,108	3,119,442	1,658,250
Vocational	402,596	295,393	457,984	351,559
Adult	5,308	5,308	4,244	4,244
Other	979,914	968,674	747,720	747,720
Support services:				
Pupil	1,338,750	1,238,995	1,253,039	1,145,655
Instructional staff	877,519	755,082	1,299,852	1,107,677
Board of education	20,924	20,924	28,266	28,266
Administration	1,823,552	1,812,398	1,537,470	1,520,746
Fiscal	505,727	505,727	493,358	493,358
Business	12,618	12,618	15,770	15,770
Operations and maintenance	1,871,032	1,868,463	2,241,020	2,240,412
Pupil transportation	1,296,022	1,264,722	974,427	888,065
Central	70,994	65,994	95,005	88,458
Operations of non-instructional services:				
Other non-instructional services	88,971	(38,943)	217,765	77,034
Food service operations	798,773	(79,955)	801,407	(40,163)
Extracurricular activities	658,592	(449,629)	692,125	444,307
Interest and fiscal charges	349,947	349,947	32,016	32,016
Total expenses	<u>\$ 21,827,025</u>	<u>\$ 17,221,237</u>	<u>\$ 21,884,357</u>	<u>\$ 18,019,338</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 81.68% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.90%. 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 2010 and 2009.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$28,909,776, which is higher than last year's total of \$2,906,372. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	<u>Fund Balance</u> <u>June 30, 2010</u>	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Increase</u>
General	\$ 3,386,036	\$ 2,381,747	\$ 1,004,289
Debt Service	664,590	-	664,590
Classroom Facilities	23,445,862	-	23,445,862
Other Governmental	<u>1,413,288</u>	<u>524,625</u>	<u>888,663</u>
Total	<u>\$ 28,909,776</u>	<u>\$ 2,906,372</u>	<u>\$ 26,003,404</u>

General Fund

The District's general fund balance increased \$1,004,289. The increase in fund balance can be attributed to decreasing expenditures, primarily those related to instruction activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	2010 <u>Amount</u>	2009 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 7,625,380	\$ 7,560,618	0.86 %
Tuition	304,731	268,085	13.67 %
Earnings on investments	27,334	83,365	(67.21) %
Intergovernmental	10,436,673	10,860,444	(3.90) %
Other revenues	<u>323,351</u>	<u>300,301</u>	7.68 %
Total	<u>\$ 18,717,469</u>	<u>\$ 19,072,813</u>	(1.86) %
<u>Expenditures</u>			
Instruction	\$ 10,100,941	\$ 11,167,934	(9.55) %
Support services	7,033,922	7,144,505	(1.55) %
Operation of non-instructional services	13,407	23,184	(42.17) %
Extracurricular activities	436,314	461,774	(5.51) %
Facilities acquisition and construction	39,539	20,906	89.13 %
Capital outlay	13,664	51,599	(73.52) %
Debt service	<u>99,533</u>	<u>101,401</u>	(1.84) %
Total	<u>\$ 17,737,320</u>	<u>\$ 18,971,303</u>	(6.50) %

The slight increase in taxes is attributed to three of the four counties went through either a property appraisal or triennial update. Tuition received is based on the number of open enrollment students coming into the District. Earnings on investments decreased due to lower interest rates. Intergovernmental revenue decreased due to career tech, state foundation and tangible personal tax state reimbursements coming from the State decreasing.

Expenditures for instruction, support services, operation of non-instructional services and extracurricular activities all decreased due to a reduction of over 40 staff for fiscal year 2010. Two elementary buildings were closed for the current fiscal year. Facility costs increased due to the installation of an additional driveway to alleviate traffic flow backup at the Shumaker building. Capital outlay decreased because the District entered into larger capital leases in fiscal year 2009.

Debt Service Fund

The debt service fund had \$15,291,181 in revenues and other financing sources and \$14,626,591 in expenditures. During fiscal year 2010, the debt service fund's fund balance, increased \$664,590.

Classroom Facilities Fund

The classroom facilities fund had \$23,745,708 in revenues and other financing sources and \$299,846 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance, increased \$23,445,862.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$18,699,471 they were decreased to \$18,569,693 in the final budgeted revenues. Actual revenues and other financing sources for fiscal year 2010 were \$18,570,095. This represents a \$402 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$19,231,187 were decreased to \$18,938,856 in the final appropriations. The actual budget basis expenditures for fiscal year 2010 totaled \$18,423,919, which was \$514,937 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$6,871,682 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 2010 balances compared to 2009:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 1,014,926	\$ 862,079
Construction in progress	450,955	24,843
Land improvements	781,715	205,669
Building and improvements	3,306,253	2,549,676
Furniture and equipment	550,862	576,508
Vehicles	<u>766,971</u>	<u>735,505</u>
Total	<u>\$ 6,871,682</u>	<u>\$ 4,954,280</u>

Total additions to capital assets for 2010 were \$2,362,205. The overall increase in capital assets of \$1,917,402 is primarily due to capital outlays of \$2,362,205 exceeding depreciation expense of \$423,378 and disposals of \$21,425 (net of accumulated depreciation) for fiscal year 2010.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Debt Administration

At June 30, 2010, the District had \$211,229 in capital lease obligations, \$1,200,000 in Ohio School Facilities Commission (OSFC) Notes and \$23,415,428 in school facilities construction and improvement bonds outstanding. Of this total, \$368,212 is due within one year and \$24,468,445 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2010 compared to 2009.

Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Capital lease obligations	\$ 211,229	\$ 348,886
OSFC Notes	1,200,000	-
School Facilities Construction and Improvement Bonds	<u>23,415,428</u>	<u>-</u>
Total	<u>\$ 24,826,657</u>	<u>\$ 348,886</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 fallen below the forecasted amounts due to the downturn in 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 23 out of 26 indicators on the 2009-10 state report card, rated an effective district, was in such 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 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 now, 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%.

The District is currently in the design phase of construction of one central elementary building and a middle school. Construction bids expect to be approved soon after January 1, 2011 with construction to commence as soon as the weather breaks this coming spring. 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.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 29,234,667
Receivables:	
Property taxes	8,552,863
Income taxes	408,360
Accounts	40,332
Accrued interest	23,656
Intergovernmental	15,276,213
Prepayments	55,323
Materials and supplies inventory	164,615
Unamortized bond issue costs	352,865
Capital assets:	
Land and construction in progress	1,465,881
Depreciable capital assets, net	5,405,801
Capital assets, net	<u>6,871,682</u>
 Total assets	 <u>60,980,576</u>
 Liabilities:	
Accounts payable	63,461
Contracts payable	240,998
Accrued wages and benefits	1,625,471
Pension obligation payable	496,567
Intergovernmental payable	114,510
Unearned revenue	6,091,385
Accrued interest payable	75,041
Long-term liabilities:	
Due within one year	766,861
Due in more than one year	26,227,547
Total long-term liabilities	<u>27,000,000</u>
 Total liabilities	 <u>35,701,841</u>
 Net Assets:	
Invested in capital assets, net of related debt	6,466,780
Restricted for:	
Capital projects	15,891,302
Classroom facilities maintenance	160,251
Debt service	758,387
Locally funded programs	6,679
State funded programs	1,732
Federally funded programs	69,587
Public school support	51,107
Student activities	84,799
Other purposes	107,547
Unrestricted	<u>1,680,564</u>
 Total net assets	 <u>\$ 25,278,735</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, 2010

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 7,695,342	\$ 433,668	\$ 779,263	\$ -	\$ (6,482,411)
Special	3,030,444	-	887,336	-	(2,143,108)
Vocational	402,596	-	107,203	-	(295,393)
Adult	5,308	-	-	-	(5,308)
Other	979,914	-	11,240	-	(968,674)
Support services:					
Pupil	1,338,750	-	99,755	-	(1,238,995)
Instructional staff	877,519	194	122,243	-	(755,082)
Board of education	20,924	-	-	-	(20,924)
Administration	1,823,552	4,074	7,080	-	(1,812,398)
Fiscal	505,727	-	-	-	(505,727)
Business	12,618	-	-	-	(12,618)
Operations and maintenance	1,871,032	2,569	-	-	(1,868,463)
Pupil transportation	1,296,022	-	31,300	-	(1,264,722)
Central	70,994	-	5,000	-	(65,994)
Operation of non-instructional services:					
Other non-instructional services	88,971	-	127,914	-	38,943
Food service operations	798,773	416,896	461,832	-	79,955
Extracurricular activities	658,592	171,057	49,283	887,881	449,629
Interest and fiscal charges	349,947	-	-	-	(349,947)
Totals	\$ 21,827,025	\$ 1,028,458	\$ 2,689,449	\$ 887,881	(17,221,237)
General Revenues:					
Property taxes levied for:					
General purposes					6,093,519
Debt service					935,229
Capital projects					445,555
School district income tax					1,560,972
Grants and entitlements not restricted to specific programs					10,568,726
Grants and entitlements restricted for Ohio School Facilities Commission					15,921,195
Investment earnings					94,024
Miscellaneous					247,012
Total general revenues					35,866,232
Change in net assets					18,644,995
Net assets at beginning of year					6,633,740
Net assets at end of year					\$ 25,278,735

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 3,408,940	\$ 397,610	\$ 23,695,685	\$ 1,732,432	\$ 29,234,667
Receivables:					
Property taxes	6,785,066	1,285,725	-	482,072	8,552,863
Income taxes	408,360	-	-	-	408,360
Accounts	39,783	-	-	549	40,332
Intergovernmental	-	-	15,136,958	139,255	15,276,213
Accrued interest	6,535	-	17,121	-	23,656
Interfund loan receivable	115,589	-	-	-	115,589
Prepayments	49,677	-	-	5,646	55,323
Materials and supplies inventory	101,014	-	-	63,601	164,615
Total assets	<u>\$ 10,914,964</u>	<u>\$ 1,683,335</u>	<u>\$ 38,849,764</u>	<u>\$ 2,423,555</u>	<u>\$ 53,871,618</u>
Liabilities:					
Accounts payable	\$ 43,142	\$ -	\$ 11,094	\$ 9,225	\$ 63,461
Contracts payable	-	-	240,998	-	240,998
Accrued wages and benefits	1,356,755	-	-	268,716	1,625,471
Compensated absences payable	275,398	-	-	20,764	296,162
Pension obligation payable	414,145	-	-	82,422	496,567
Interfund loans payable	-	-	-	115,589	115,589
Intergovernmental payable	96,611	20	2,176	15,703	114,510
Deferred revenue	518,543	93,797	15,149,634	155,725	15,917,699
Unearned revenue	4,824,334	924,928	-	342,123	6,091,385
Total liabilities	<u>7,528,928</u>	<u>1,018,745</u>	<u>15,403,902</u>	<u>1,010,267</u>	<u>24,961,842</u>
Fund Balances:					
Reserved for encumbrances	357,743	-	2,548,904	636,985	3,543,632
Reserved for materials and supplies inventory	101,014	-	-	63,601	164,615
Reserved for property tax unavailable for appropriation	1,444,377	266,854	-	102,895	1,814,126
Reserved for prepayments	49,677	-	-	5,646	55,323
Reserved for debt service	-	397,736	-	-	397,736
Unreserved, undesignated, reported in:					
General fund	1,433,225	-	-	-	1,433,225
Special revenue funds	-	-	-	180,875	180,875
Capital projects funds	-	-	20,896,958	423,286	21,320,244
Total fund balances	<u>3,386,036</u>	<u>664,590</u>	<u>23,445,862</u>	<u>1,413,288</u>	<u>28,909,776</u>
Total liabilities and fund balances	<u>\$ 10,914,964</u>	<u>\$ 1,683,335</u>	<u>\$ 38,849,764</u>	<u>\$ 2,423,555</u>	<u>\$ 53,871,618</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$ 28,909,776
<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.		6,871,682
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 646,071	
Accrued interest receivable	15,925	
Intergovernmental receivable	<u>15,255,703</u>	
Total		15,917,699
Unamortized premiums on bond issuances are not recognized in the funds.		(352,874)
Unamortized bond issuance costs are not recognized in the funds.		352,865
Long-term accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(75,041)
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
School facilities construction and improvement bonds	(23,415,428)	
Energy conservation notes	(1,200,000)	
Capital lease obligation	(211,229)	
Compensated absences payable	<u>(1,518,715)</u>	
Total		<u>(26,345,372)</u>
Net assets of governmental activities		<u>\$ 25,278,735</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, 2010

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 6,064,408	\$ 841,432	\$ -	\$ 444,007	\$ 7,349,847
Income taxes	1,560,972	-	-	-	1,560,972
Tuition	304,731	-	-	-	304,731
Charges for services	-	-	-	413,584	413,584
Earnings on investments	27,334	-	50,483	663	78,480
Extracurricular	17,248	-	-	153,809	171,057
Classroom materials and fees	56,522	-	-	38,398	94,920
Rental income	2,569	-	-	-	2,569
Contributions and donations	-	-	-	25,342	25,342
Other local revenues	247,012	-	-	96,761	343,773
Intergovernmental - state	10,381,786	79,611	784,237	370,439	11,616,073
Intergovernmental - federal	54,887	-	-	2,185,012	2,239,899
Total revenue	<u>18,717,469</u>	<u>921,043</u>	<u>834,720</u>	<u>3,728,015</u>	<u>24,201,247</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,504,225	-	-	966,801	7,471,026
Special	2,217,965	-	-	779,500	2,997,465
Vocational	413,369	-	-	-	413,369
Adult	5,308	-	-	-	5,308
Other	960,074	-	-	13,100	973,174
Support services:					
Pupil	1,206,382	-	-	97,068	1,303,450
Instructional staff	718,103	-	-	147,659	865,762
Board of education	20,924	-	-	-	20,924
Administration	1,776,874	-	-	9,875	1,786,749
Fiscal	485,013	13,761	-	10,666	509,440
Business	12,618	-	-	-	12,618
Operations and maintenance	1,784,986	-	-	12,286	1,797,272
Pupil transportation	958,420	-	-	230,405	1,188,825
Central	70,602	-	-	5,006	75,608
Operation of non-instructional services:					
Other non-instructional services	13,407	-	-	78,285	91,692
Food service operations	-	-	-	814,633	814,633
Extracurricular activities	436,314	-	-	216,485	652,799
Facilities acquisition and construction	39,539	-	299,846	1,111,201	1,450,586
Capital outlay	13,664	-	-	-	13,664
Debt service:					
Principal retirement	81,290	14,010,000	-	74,027	14,165,317
Interest and fiscal charges	18,243	245,675	-	5,551	269,469
Bond issuance costs	-	357,155	-	-	357,155
Note issuance costs	-	-	44,710	-	44,710
Total expenditures	<u>17,737,320</u>	<u>14,626,591</u>	<u>344,556</u>	<u>4,572,548</u>	<u>37,281,015</u>
Excess/deficiency of revenues over/under expenditures	980,149	(13,705,548)	490,164	(844,533)	(13,079,768)
Other financing sources (uses):					
Premium on bonds and notes sold	-	357,164	44,710	-	401,874
Sale of bonds	-	14,009,991	8,900,988	499,012	23,409,991
Sale of notes	-	-	14,010,000	1,200,000	15,210,000
Transfers in	-	2,983	-	705,870	708,853
Transfers (out)	(14,732)	-	-	(694,121)	(708,853)
Capital lease transaction	17,660	-	-	-	17,660
Total other financing sources (uses)	<u>2,928</u>	<u>14,370,138</u>	<u>22,955,698</u>	<u>1,710,761</u>	<u>39,039,525</u>
Net change in fund balances	983,077	664,590	23,445,862	866,228	25,959,757
Fund balances at beginning of year	2,381,747	-	-	524,625	2,906,372
Increase in reserve for inventory	21,212	-	-	22,435	43,647
Fund balances at end of year	\$ 3,386,036	\$ 664,590	\$ 23,445,862	\$ 1,413,288	\$ 28,909,776

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, 2010

Net change in fund balances - total governmental funds		\$	25,959,757
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.			
Capital asset additions	\$	2,362,205	
Current year depreciation		(423,378)	
Total		1,938,827	1,938,827
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.			(21,425)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes		124,456	
Earnings on investments		15,925	
Intergovernmental revenue		15,242,511	
Total		15,382,892	15,382,892
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.			43,647
Repayment of note and capital lease obligations 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:			
Notes		14,010,000	
Capital lease		155,317	
Total		14,165,317	14,165,317
The issuances of bonds and notes are recorded as an other financing source in the governmental funds funds; however, the proceeds increase long-term liabilities on the statement net assets.			(38,619,991)
Premiums on bonds are recognized as an other financing source in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.			(357,164)
Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities			357,155
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.			(17,660)
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 more interest being reported on the statement of activities.			
Increase in accrued interest payable		(75,041)	
Accreted interest on "capital appreciation" bonds		(5,437)	
Amortization of bond issue costs		(4,290)	
Amortization of bond premiums		4,290	
Total		(80,478)	(80,478)
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.			(105,882)
Change in net assets of governmental activities		\$	18,644,995

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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 6,240,435	\$ 6,197,125	\$ 6,196,784	\$ (341)
Income taxes.	1,160,667	1,152,612	1,152,612	-
Tuition.	286,852	284,861	284,861	-
Earnings on investments	35,148	34,904	39,672	4,768
Extracurricular.	17,310	17,190	17,248	58
Classroom materials and fees	57,430	57,031	56,940	(91)
Rental income	2,423	2,406	2,406	-
Other local revenues	248,561	246,836	242,844	(3,992)
Intergovernmental - state	10,454,341	10,381,786	10,381,786	-
Intergovernmental - federal	55,271	54,887	54,887	-
Total revenue	<u>18,558,438</u>	<u>18,429,638</u>	<u>18,430,040</u>	<u>402</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,493,684	7,379,775	6,905,523	474,252
Special.	2,418,139	2,381,381	2,290,952	90,429
Vocational.	426,662	420,176	424,796	(4,620)
Adult/continuing	4,976	4,900	5,300	(400)
Other.	839,156	826,400	961,324	(134,924)
Support Services:				
Pupil.	1,230,841	1,212,131	1,177,019	35,112
Instructional staff	730,136	719,037	752,924	(33,887)
Board of education	36,485	35,930	22,047	13,883
Administration.	1,579,697	1,555,684	1,770,007	(214,323)
Fiscal	534,130	526,011	484,319	41,692
Business	12,505	12,315	12,626	(311)
Operations and maintenance.	2,010,785	1,980,219	1,929,898	50,321
Pupil transportation	1,134,544	1,117,298	975,228	142,070
Central.	125,019	123,119	81,973	41,146
Operation of non-instructional services	15,648	15,410	15,407	3
Extracurricular activities.	471,900	464,727	442,221	22,506
Facilities acquisition and construction	47,566	46,843	42,033	4,810
Total expenditures	<u>19,111,873</u>	<u>18,821,356</u>	<u>18,293,597</u>	<u>527,759</u>
Excess of revenues over (under) expenditures.	<u>(553,435)</u>	<u>(391,718)</u>	<u>136,443</u>	<u>528,161</u>
Other financing sources (uses):				
Refund of prior year's expenditures	21,945	21,793	21,793	-
Refund of prior year's receipts.	(508)	(500)	-	500
Transfers (out).	(12,185)	(12,000)	(14,733)	(2,733)
Advances in.	108,364	107,612	107,612	-
Advances (out)	(106,621)	(105,000)	(115,589)	(10,589)
Sale of capital assets	10,724	10,650	10,650	-
Total other financing sources (uses)	<u>21,719</u>	<u>22,555</u>	<u>9,733</u>	<u>(12,822)</u>
Net change in fund balance	(531,716)	(369,163)	146,176	515,339
Fund balance at beginning of year	2,512,461	2,512,461	2,512,461	-
Prior year encumbrances appropriated	348,257	348,257	348,257	-
Fund balance at end of year	\$ 2,329,002	\$ 2,491,555	\$ 3,006,894	\$ 515,339

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments.	\$ 10,080	\$ 101,028
Receivables:		
Accounts	<u>-</u>	<u>46</u>
Total assets.	<u>10,080</u>	<u>\$ 101,074</u>
Liabilities:		
Accounts payable.	-	\$ 5,409
Due to students.	<u>-</u>	<u>95,665</u>
Total liabilities	<u>-</u>	<u>\$ 101,074</u>
Net assets:		
Held in trust for scholarships	<u>10,080</u>	
Total net assets	<u>\$ 10,080</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 14
Gifts and contributions.	800
Total additions.	814
 Change in net assets.	 814
Net assets at beginning of year	9,266
Net assets at end of year.	\$ 10,080

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Bellevue City School District (the "District") operates under a locally-elected, five-member Board form of government and provides educational services as authorized or mandated by State and/or federal agencies. This Board controls the District's nine instructional/support facilities staffed by 84 non-certified employees and 156 certified teaching personnel to provide services to approximately 2,133 students and other community members.

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

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

The District is the 243rd largest in the State of Ohio (among 905 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 they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government 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, 2010

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. 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.

Northern Ohio Educational Computer Association (NOECA)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

PUBLIC ENTITY RISK POOL

Sheakley Workers' Compensation Group Rating Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs.

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 to be used for the acquisition, construction, or improvement of capital facilities; and (b) grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District'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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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).

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, 2010, but which were levied to finance fiscal year 2011 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, 2010, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

E. Budgets

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

1. Prior to January 15, 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.
2. By no later than January 20, 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 2010.
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 2010. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

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 2010, investments were limited to federal 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 2010. 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, 2010.

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 2010 amounted to \$27,334, which includes \$18,713 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
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve 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>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 70 years
Furniture and equipment	5 - 20 years
Vehicles	10 - 18 years

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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, 2010, 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 are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 uniform school supplies.

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.

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 11A.

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other government or imposed by enabling legislation. The District does not have any restricted assets as of June 30, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

R. 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.

S. 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 2010, 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 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Management information systems	\$ 52
Vocational education enhancements	1,883
Title VI-B	26,718
Education stabilization	93,356
Stimulus, Title II-D	1,558
Preschool	2,255
Reducing class size	11,098

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim 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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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.

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. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$2,538,480. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,959,325 of the District's bank balance of \$2,802,122 was exposed to custodial risk as discussed below, while \$842,797 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

B. Investments

As of June 30, 2010, the District had the following investments and maturities:

<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	\$ 3,353,814	\$ 3,353,814	\$ -	\$ -	\$ -	\$ -
FFCB	1,174,633	-	1,174,633	-	-	-
FHLB	14,139,148	1,501,406	5,868,779	3,800,713	2,165,000	803,250
FHLM	1,200,060	-	-	-	1,200,060	-
FNMA	1,251,748	-	-	-	1,251,748	-
FNMA discount note	5,656,450	3,047,255	2,609,195	-	-	-
U.S. Government money market	31,442	31,442	-	-	-	-
Total	\$ 26,807,295	\$ 7,933,917	\$ 9,652,607	\$ 3,800,713	\$ 4,616,808	\$ 803,250

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 AAA 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 service rating.

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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2010.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,353,814	12.51
FFCB	1,174,633	4.38
FHLB	14,139,148	52.74
FHLM	1,200,060	4.48
FNMA	1,251,748	4.67
FNMA		
discount note	5,656,450	21.10
U.S. Government money market	<u>31,442</u>	<u>0.12</u>
Total	<u>\$ 26,807,295</u>	<u>100.00</u>

C. 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, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,538,480
Investments	<u>26,807,295</u>
Total	<u>\$ 29,345,775</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 29,234,667
Private-purpose trust fund	10,080
Agency fund	<u>101,028</u>
Total	<u>\$ 29,345,775</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2010 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>\$ 115,589</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 financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfers to debt service fund from:</u>	
General fund	\$ 2,983
<u>Transfers to nonmajor governmental funds from:</u>	
General fund	11,749
Nonmajor governmental funds	<u>694,121</u>
 Total	 <u>\$ 708,853</u>

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 current year \$127,304 transfer from the permanent improvement fund (a nonmajor governmental fund) to the classroom facilities maintenance fund was necessary to satisfy the ½ mil maintenance requirement under the Ohio School Facilities Commission (OSFC) project. The \$566,817 transfer from the building fund (a nonmajor governmental fund) to the permanent improvement fund (a nonmajor governmental fund) was necessary to begin the District's HB264 energy conservation project.

All transfers made in fiscal year 2010 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 financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Erie, Huron, Sandusky and Seneca Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$1,444,377 in the general fund, \$102,895 in the permanent improvement fund (a nonmajor governmental fund) and \$266,854 in the debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,181,373 in the general fund and \$85,876 in the permanent improvement 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 tangible personal property taxes which are measurable as of June 30, 2010 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 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 236,976,970	96.44	\$ 244,132,420	97.12
Public utility personal	8,561,470	3.48	7,251,750	2.88
Tangible personal property	<u>203,330</u>	<u>0.08</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 245,741,770</u>	<u>100.00</u>	<u>\$ 251,384,170</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.20		\$43.10	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District maintains a five year .5% income tax through 2011 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 2010 was \$1,560,972.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 8,552,863
Income taxes	408,360
Accounts	40,332
Intergovernmental	15,276,213
Accrued interest	<u>23,656</u>
Total	<u>\$ 24,301,424</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 \$15,136,958, 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, 2010

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 862,079	\$ 152,847	\$ -	\$ 1,014,926
Construction in progress	24,843	450,955	(24,843)	450,955
Total capital assets, not being depreciated	<u>886,922</u>	<u>603,802</u>	<u>(24,843)</u>	<u>1,465,881</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	789,545	592,957	-	1,382,502
Buildings and improvements	6,639,622	938,187	-	7,577,809
Furniture and equipment	3,147,986	110,502	(14,787)	3,243,701
Vehicles	1,449,338	141,600	(126,455)	1,464,483
Total capital assets, being depreciated	<u>12,026,491</u>	<u>1,783,246</u>	<u>(141,242)</u>	<u>13,668,495</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(583,876)	(16,911)	-	(600,787)
Buildings and improvements	(4,089,946)	(181,610)	-	(4,271,556)
Furniture and equipment	(2,571,478)	(130,231)	8,870	(2,692,839)
Vehicles	(713,833)	(94,626)	110,947	(697,512)
Total accumulated depreciation	<u>(7,959,133)</u>	<u>(423,378)</u>	<u>119,817</u>	<u>(8,262,694)</u>
Governmental activities capital assets, net	<u>\$ 4,954,280</u>	<u>\$ 1,963,670</u>	<u>\$ (46,268)</u>	<u>\$ 6,871,682</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 194,184
Special	10,136
Other	6,740

Support services:

Instructional staff	12,376
Administration	6,706
Operations and maintenance	92,362
Pupil transportation	85,028
Extracurricular activities	5,793
Food service operations	<u>10,053</u>
Total depreciation expense	<u>\$ 423,378</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 \$372,477. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 was \$195,578, leaving a current book value of \$176,899. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2010 fiscal year were as follows: \$77,294 paid by the general fund, \$3,219 paid by the data communication fund (a nonmajor governmental fund) and \$70,808 paid by the permanent improvement fund (a nonmajor governmental fund). In addition to the amount of principal retired, the District also terminated leases with principal balances of \$3,996.

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, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	95,359
2012	88,467
2013	42,411
2014	8,813
2015	<u>912</u>
Total minimum lease payments	235,962
Less: amount representing interest	<u>(24,733)</u>
Total	<u>\$ 211,229</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, 2010 in the amount of \$203,144.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2010, the following changes occurred in the governmental activities long-term obligations:

	Balance <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/10</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Energy conservation notes	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000	\$ 77,000
OSFC notes	-	14,010,000	(14,010,000)	-	-
General obligation bonds:					
Series 2010A	-	9,400,000	-	9,400,000	210,000
Series 2010B and C	-	14,015,428	-	14,015,428	-
Capital lease obligation	348,886	17,660	(155,317)	211,229	81,212
Compensated absences	<u>1,669,018</u>	<u>505,774</u>	<u>(359,915)</u>	<u>1,814,877</u>	<u>398,649</u>
Total governmental activities	<u>\$ 2,017,904</u>	<u>\$ 39,148,862</u>	<u>\$(14,525,232)</u>	26,641,534	<u>\$ 766,861</u>
Add: Unamortized premium				<u>352,874</u>	
Total on statement of net assets				<u>\$ 26,994,408</u>	

Compensated Absences: Compensated absences will be paid from the fund from 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, data communication fund and permanent improvement fund (a nonmajor governmental fund). See Note 10 for details.

OSFC Notes: On December 29, 2009, the District issued \$14,010,000 in Ohio School Facilities Commission Notes in anticipation of the issuance of bonds for the purpose of constructing, renovating and improving facilities and acquiring land. The notes bear an accrued interest rate of 1.450% and matured June 2, 2010. During the current fiscal year, the notes were retired using the proceeds from the bond issuance.

- B. *Energy Conservation Notes:* In the current 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 77,000	\$ 5,808	\$ 82,808
2012	78,000	5,420	83,420
2013	78,000	5,030	83,030
2014	78,000	4,640	82,640
2015	79,000	4,248	83,248
2016 - 2020	400,000	15,271	415,271
2021 - 2025	<u>410,000</u>	<u>5,143</u>	<u>415,143</u>
Total	<u>\$ 1,200,000</u>	<u>\$ 45,560</u>	<u>\$ 1,245,560</u>

- C. *School Facilities Construction and Improvement Bonds - Series 2010A*: On February 18, 2010, the District issued school facilities construction and improvement bonds to finance building construction and improvements. This issue is comprised of current interest bonds, par value \$9,400,000. The interest rate on the current interest bonds is 1.5%.

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. \$9,198,242 of these bond proceeds were unspent at June 30, 2010.

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 school facilities construction and improvement bonds:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>
Current interest bonds - 2010 A series	<u>\$ -</u>	<u>\$ 9,400,000</u>	<u>\$ -</u>	<u>\$ 9,400,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2010A series bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2011	\$ 210,000	\$ 139,425	\$ 349,425
2012	380,000	135,000	515,000
2013	395,000	129,188	524,188
2014	425,000	123,038	548,038
2015	440,000	116,550	556,550
2016 - 2020	2,575,000	473,964	3,048,964
2021 - 2025	3,485,000	248,139	3,733,139
2026 - 2027	1,490,000	21,671	1,511,671
Total	<u>\$ 9,400,000</u>	<u>\$ 1,386,975</u>	<u>\$ 10,786,975</u>

- D. School Facilities Construction and Improvement Bonds - Series 2010B and C:** On March 10, 2010, the District issued school facilities construction and improvement bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$13,760,000, and capital appreciation bonds, par value \$249,991. 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 \$5,437 has been included in the statement of net assets at June 30, 2010. The proceeds of these bonds were unspent at June 30, 2010.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Current interest bonds -				
2010 B series	\$ -	\$ 13,760,000	\$ -	\$ 13,760,000
Capital appreciation bonds -				
2010 C series	-	249,991	-	249,991
Capital appreciation bonds -				
Accreted interest	<u>-</u>	<u>5,437</u>	<u>-</u>	<u>5,437</u>
Total	<u>\$ -</u>	<u>\$ 14,015,428</u>	<u>\$ -</u>	<u>\$ 14,015,428</u>

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

Fiscal Year <u>Ending June 30.</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 837,780	\$ 837,780	\$ -	\$ -	\$ -
2012	75,000	837,480	912,480	-	-	-
2013	75,000	836,430	911,430	-	-	-
2014	80,000	834,880	914,880	-	-	-
2015	80,000	833,280	913,280	-	-	-
2016 - 2020	460,000	4,131,944	4,591,944	-	-	-
2021 - 2025	510,000	4,019,922	4,529,922	-	-	-
2026 - 2030	1,730,000	3,731,090	5,461,090	249,991	1,240,009	1,490,000
2031 - 2035	6,055,000	2,532,222	8,587,222	-	-	-
2036 - 2038	4,695,000	464,561	5,159,561	-	-	-
Total	<u>\$ 13,760,000</u>	<u>\$ 19,059,589</u>	<u>\$ 32,819,589</u>	<u>\$ 249,991</u>	<u>\$ 1,240,009</u>	<u>\$ 1,490,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010, are a voted debt margin of \$13,152,318 (including available funds of \$664,590) and an unvoted debt margin of \$35,898.

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:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Ohio School Plan		
Each occurrence		\$2,000,000	\$ -
Aggregate		4,000,000	-
Building and contents	Ohio School Plan	61,650,994	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, 2010

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

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

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

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*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - PENSION PLANS - (Continued)

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 2010, 12.74 percent and .04 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, 2010, 2009 and 2008 were \$348,726, \$265,143 and \$252,707, respectively; 43.17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 Web site at www.strsoh.org.

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 2010, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,170,959, \$1,258,645 and \$1,248,438, respectively; 84.23 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$21,200 made by the District and \$15,143 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. The District's liability is 6.2 percent of wages paid.

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 Chapter 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 2009 was \$96.40 and 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 2010, 0.46 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 2010, the actuarially determined amount was \$35,800.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 2010, 2009, and 2008 were \$56,322, \$163,011 and \$156,018, respectively; 43.17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$20,738, \$21,877 and \$18,208, respectively; 43.17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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 2010, 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, 2010, 2009, and 2008 were \$90,074, \$96,819 and \$96,034, respectively; 84.23 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis) ;
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis) ; and,
- (e) Investments are reported at fair market value (GAAP basis) rather than cost (budget basis).

The adjustments necessary to convert the results of operations for the fiscal 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	\$ 146,176
Net adjustment for revenue accruals	287,429
Net adjustment for expenditure accruals	154,231
Net adjustment for other sources/uses	(6,805)
Adjustment for encumbrances	<u>402,046</u>
GAAP basis	<u>\$ 983,077</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is 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, 2010

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2009	\$ (402,604)	\$ (363,000)
Current year set-aside requirement	361,033	361,033
Current year offsets	-	(24,594,654)
Qualifying disbursements	<u>(294,780)</u>	<u>(418,925)</u>
Total	<u>\$ (336,351)</u>	<u>\$ (25,015,546)</u>
Balance carried forward to fiscal year 2011	<u>\$ (336,353)</u>	<u>\$ (23,772,991)</u>

The amount of qualifying disbursements and prior year carryover exceeds the set-aside requirement in the textbooks/instructional materials reserve and that excess may be carried forward to reduce the set-aside requirement for future years. The capital acquisition reserve had debt related offsets that may be carried forward to future years. Excess qualifying disbursements may not be carried forward.

NOTE 18 - CONTRACTUAL COMMITMENTS

On June 30, 2010, 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, 2010</u>	<u>Remaining Contract Amount</u>
Fanning/Howey	\$ 2,134,785	\$ -	\$ 2,134,785
Four Seasons Environmental	92,888	278	92,610
Energy Optimizers	<u>17,836</u>	<u>-</u>	<u>17,836</u>
Total	<u>\$ 2,245,509</u>	<u>\$ 278</u>	<u>\$ 2,245,231</u>

SUPPLEMENTARY DATA

**BELLEVUE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Grant Cluster:				
(D) (E) School Breakfast Program	10.553	2010	\$ 61,214	\$ 61,214
Total School Breakfast Program			<u>61,214</u>	<u>61,214</u>
(C) (E) National School Lunch Program - Food Donation	10.555	2010	40,655	40,655
(D) (E) National School Lunch Program	10.555	2010	351,335	351,335
Total National School Lunch Program			<u>391,990</u>	<u>391,990</u>
Total U.S. Department of Agriculture and Nutrition Grant Cluster			<u>453,204</u>	<u>453,204</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster				
(F) Title I Grants to Local Educational Agencies	84.010	2009	32,293	44,609
(F) Title I Grants to Local Educational Agencies	84.010	2010	238,978	199,623
Total Title I Grants to Local Educational Agencies			<u>271,271</u>	<u>244,232</u>
(F) ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	82,326	50,132
Total Title I Grant Cluster			<u>353,597</u>	<u>294,364</u>
Special Education Cluster:				
(G) Special Education _Grants to States	84.027	2009	49,859	57,646
(G) Special Education _Grants to States	84.027	2010	447,395	408,449
Total Special Education Grants to States			<u>497,254</u>	<u>466,095</u>
(G) ARRA-Special Education Grants to States, Recovery Act	84.391	2010	254,613	204,584
(G) Special Education Preschool Grants	84.173	2009	3,154	3,708
(G) Special Education Preschool Grants	84.173	2010	18,655	16,812
Total Special Education Preschool Grants			<u>21,809</u>	<u>20,520</u>
(G) ARRA-Special Education Preschool Grants, Recovery Act	84.392	2010	6,105	6,316
Total Special Education Cluster			<u>779,781</u>	<u>697,515</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2009	-	3
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	5,920	5,920
Total Safe and Drug-Free Schools and Communities State Grants			<u>5,920</u>	<u>5,923</u>
State Grants for Innovative Programs	84.298	2009	925	-
Total State Grants for Innovative Programs			<u>925</u>	<u>-</u>
Education Technology State Grants	84.318	2009	1,146	2,120
Education Technology State Grants	84.318	2010	1,123	2,681
Total Education Technology State Grants			<u>2,269</u>	<u>4,801</u>
Improving Teacher Quality State Grants	84.367	2009	7,594	12,783
Improving Teacher Quality State Grants	84.367	2010	99,854	92,037
Total Improving Teacher Quality State Grants			<u>107,448</u>	<u>104,820</u>
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	564,305	564,305
Total U.S. Department of Education			<u>1,814,245</u>	<u>1,671,728</u>
Total Federal Financial Assistance			<u>\$ 2,267,449</u>	<u>\$ 2,124,932</u>

- (A) OAKS did not assign pass through numbers for fiscal year 2010.
(B) This schedule was prepared on the cash basis of accounting.
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement values.
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(E) Included as part of "Nutrition Grant Cluster" in determining major programs.
(F) Included as part of "Title I Grant Cluster" in determining major programs.
(G) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

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 the Bellevue City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Bellevue City School District's basic financial statements and have issued our report thereon dated December 8, 2010. 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 Bellevue City School 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 Bellevue City School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Bellevue City School 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 Bellevue City School 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.

Board of Education
Bellevue City School District

Compliance and Other Matters

As part of reasonably assuring whether the Bellevue City School 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 intend this report solely for the information and use of the management and Board of Education of the Bellevue City School District, federal awarding agencies and pass-through entities, and others within the Bellevue City School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 8, 2010



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Bellevue City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Bellevue City School District's major federal programs. The Bellevue City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Bellevue City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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 Bellevue City School District's compliance with those 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 Bellevue City School District's compliance with those requirements.

In our opinion, the Bellevue City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The Bellevue City School 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 Bellevue City School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on 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 Bellevue City School District's internal control over compliance.

Board of Education
Bellevue City School District

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 management and Board of Education of the Bellevue City School District, federal awarding agencies and pass-through entities, and others within the Bellevue City School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
December 8, 2010

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Cluster: Special Education Grants to States - CFDA #84.027; Special Education Preschool Grants - CFDA #84.173; ARRA - Special Education Grants to States Recovery Act - CFDA # 84.391; ARRA - Special Education Preschool Grants, Recovery Act - CFDA #84.392; ARRA - State Fiscal Stabilization Fund, Education State Grants, Recovery Act - CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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
JANUARY 25, 2011**