



Dave Yost • Auditor of State

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 15, 2015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities decreased \$2,244,819 which represents an 8.05% decrease from 2013.
- General revenues accounted for \$19,655,352 in revenue or 80.01% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,911,590 or 19.99% of total revenues of \$24,566,942.
- The District had \$26,811,761 in expenses related to governmental activities; only \$4,911,590 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 \$19,655,352 were not 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 \$19,524,849 in revenues and other financing sources and \$18,305,894 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance increased \$1,197,305 from a fund balance of \$5,252,273 to \$6,449,578.
- The debt service fund had \$4,554,758 in revenues and other financing sources, and \$4,393,695 in expenditures. During fiscal year 2014, the debt service fund's fund balance increased \$161,063.
- The classroom facilities fund had \$16,429 in revenues and \$561,691 in expenditures. During fiscal year 2014, the classroom facilities fund's fund balance decreased \$545,262.

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 position* 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, 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, 2014
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in net position. This change in net position 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 position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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 position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 22,767,633	\$ 22,291,747
Capital assets, net	<u>40,435,393</u>	<u>41,091,269</u>
Total assets	<u>63,203,026</u>	<u>63,383,016</u>
<u>Liabilities</u>		
Current liabilities	2,458,433	3,026,814
Long-term liabilities	<u>28,315,629</u>	<u>26,011,000</u>
Total liabilities	<u>30,774,062</u>	<u>29,037,814</u>
<u>Deferred inflows of resources</u>		
Deferred inflows of resources	<u>6,788,777</u>	<u>6,460,196</u>
<u>Net Position</u>		
Net investment in capital assets	19,907,468	20,592,686
Restricted	2,539,288	2,345,730
Unrestricted	<u>3,193,431</u>	<u>4,946,590</u>
Total net position	<u>\$ 25,640,187</u>	<u>\$ 27,885,006</u>

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

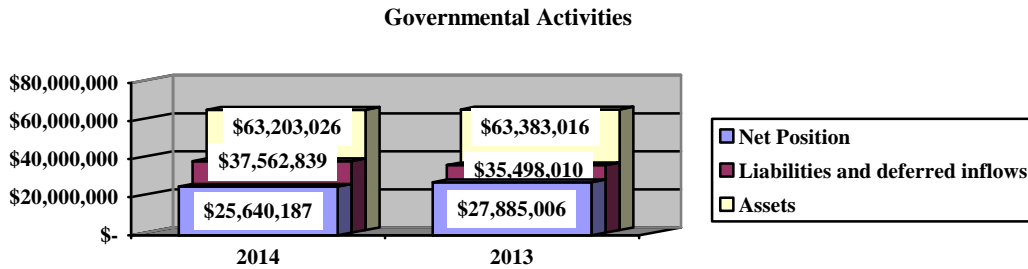
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$25,640,187.

At year-end, capital assets represented 63.98% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$19,907,468. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net 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 position, \$2,539,288, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$3,193,431 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental activities assets, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.



The table below shows the change in net positions for fiscal year 2014 and 2013.

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,213,340	\$ 1,269,638
Operating grants and contributions	2,893,250	2,963,052
Capital grants and contributions	805,000	-
General revenues:		
Property taxes	7,849,719	8,291,204
School district income taxes	1,352,989	1,328,225
Grants and entitlements	10,280,097	9,551,938
Decrease in FMV of investments	-	(17,127)
Investment earnings	47,190	37,210
Other	125,357	114,752
Total revenues	\$ 24,566,942	\$ 23,538,892

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Change in Net Position

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,949,616	\$ 7,710,364
Special	3,189,513	3,262,351
Vocational	454,936	468,797
Adult/continuing	8,447	10,582
Other	1,161,052	1,208,512
Support services:		
Pupil	1,808,928	1,228,824
Instructional staff	599,204	1,151,213
Board of education	23,268	21,031
Administration	1,368,140	1,546,916
Fiscal	584,657	622,308
Business	8,819	7,067
Operation and maintenance	2,938,692	2,750,721
Pupil transportation	978,866	1,038,655
Central	61,370	71,822
Operation of non-instructional services:		
Other non-instructional services	123,604	161,294
Food service operations	770,384	824,040
Extracurricular activities	813,743	687,755
Pass-through payments	2,855,000	-
Interest and fiscal charges	<u>1,113,522</u>	<u>1,010,272</u>
Total expenses	<u>26,811,761</u>	<u>23,782,524</u>
Change in net position	(2,244,819)	(243,632)
Net position at beginning of year	<u>27,885,006</u>	<u>28,128,638</u>
Net position at end of year	<u>\$ 25,640,187</u>	<u>\$ 27,885,006</u>

Governmental Activities

Net position of the District's governmental activities decreased \$2,244,819. Total governmental expenses of \$26,811,761, were offset by program revenues of \$4,911,590 and general revenues of \$19,655,352. Program revenues supported 18.32% of the total governmental expenses.

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

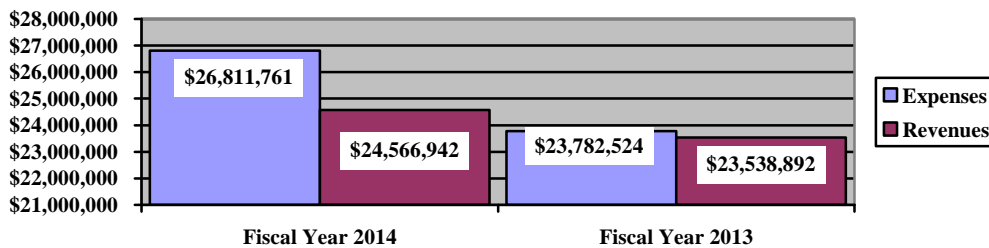
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 79.30% of total governmental revenue. Property taxes decreased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditors. Tax advances available are recorded as revenue under GAAP. The amount of tax advance available at June 30, 2014, 2013 and 2012 were \$1,386,204, \$1,626,724 and \$1,378,485 respectively. The amount of tax advance available at year end can vary depending on when the County Auditor distributes tax bills. Grants and Entitlements increased \$728,159 due to additional state funding. Earnings on investments increased due to an increase in amounts invested by the District. Expenses increased largely due to the pass-through payments in the amount of \$2,855,000 for bonds issued on behalf of the Bellevue Public Library.

The District received \$805,000 in capital contributions for stadium turf and football goal posts. This is the primary reason for the increase in revenues during fiscal year 2014.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2014 compared to fiscal year 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

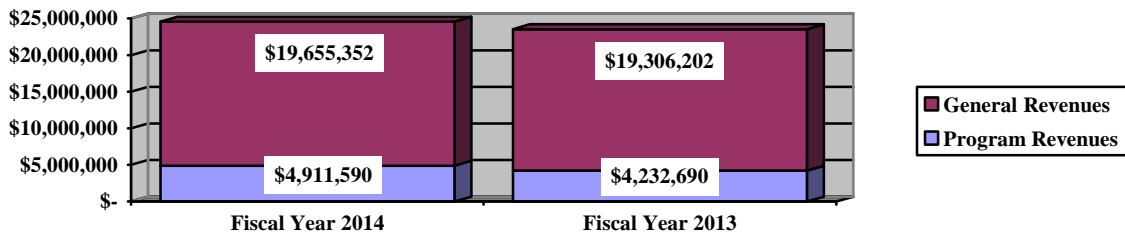
Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses				
Instruction:				
Regular	\$ 7,949,616	\$ 7,264,650	\$ 7,710,364	\$ 7,022,765
Special	3,189,513	1,543,088	3,262,351	1,614,048
Vocational	454,936	374,173	468,797	360,790
Adult/continuing	8,447	8,447	10,582	10,582
Other	1,161,052	1,157,973	1,208,512	1,200,173
Support services:				
Pupil	1,808,928	1,682,003	1,228,824	1,149,520
Instructional staff	599,204	576,544	1,151,213	1,049,171
Board of education	23,268	23,268	21,031	21,031
Administration	1,368,140	1,360,978	1,546,916	1,537,719
Fiscal	584,657	584,657	622,308	622,308
Business	8,819	8,819	7,067	7,067
Operation and maintenance	2,938,692	2,903,081	2,750,721	2,721,115
Pupil transportation	978,866	956,581	1,038,655	1,012,997
Central	61,370	61,370	71,822	71,822
Operation of non-instructional services:				
Other non-instructional services	123,604	(28,882)	161,294	14,473
Food service operations	770,384	(49,628)	824,040	(7,007)
Extracurricular activities	813,743	(227,058)	687,755	407,646
Pass-through payments	2,855,000	2,855,000	-	-
Interest and fiscal charges	1,113,522	845,107	1,010,272	733,614
Total expenses	\$ 26,811,761	\$ 21,900,171	\$ 23,782,524	\$ 19,549,834

The dependence upon tax and other general revenues for governmental activities is apparent as 81.08% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.68%. 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 2014 and 2013.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$12,584,596 which is greater than last year's balance of \$11,545,665. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Increase/</u> <u>(Decrease)</u>
General	\$ 6,449,578	\$ 5,252,273	\$ 1,197,305
Debt Service	1,558,495	1,397,432	161,063
Classroom Facilities	3,037,280	3,582,542	(545,262)
Other Governmental	<u>1,539,243</u>	<u>1,313,418</u>	<u>225,825</u>
Total	<u>\$ 12,584,596</u>	<u>\$ 11,545,665</u>	<u>\$ 1,038,931</u>

General Fund

The District's general fund balance increased \$1,197,305. The increase in fund balance can be attributed to revenues exceeding expenditures during the year.

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 7,833,194	\$ 8,021,828	(2.35) %
Tuition	467,639	454,028	3.00 %
Earnings on investments	19,215	24,149	(20.43) %
Intergovernmental	10,903,271	10,253,905	6.33 %
Other revenues	<u>289,830</u>	<u>316,218</u>	(8.34) %
Total	<u>\$ 19,513,149</u>	<u>\$ 19,070,128</u>	2.32 %
<u>Expenditures</u>			
Instruction	\$ 10,866,873	\$ 10,866,186	0.01 %
Support services	6,737,372	6,737,981	(0.01) %
Operation of non-instructional services	24,025	26,461	(9.21) %
Extracurricular activities	479,307	515,091	(6.95) %
Facilities acquisition and construction	20,982	-	100.00 %
Capital outlay	-	260,231	(100.00) %
Debt service	<u>101,615</u>	<u>87,465</u>	16.18 %
Total	<u>\$ 18,230,174</u>	<u>\$ 18,493,415</u>	(1.42) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Property taxes decreased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditors. Tax advances available are recorded as revenue under GAAP. The amount of tax advance available at June 30, 2014, 2013 and 2012 were \$1,101,105, \$1,303,377, and \$1,110,252 respectively. The amount of tax advance available at year end can vary depending on when the County Auditor distributes tax bills. Tuition revenues increased due to an increase in open enrollment. Grants and Entitlements increased \$649,366 due to additional state funding. Earnings on investments decreased due to general fluctuations in investments.

Expenditures related to operation of non-instructional services decreased due to a decrease in supplies purchased during fiscal year 2014. During the current fiscal year the District's capital outlay expenditures decreased due to no additions of new capital leases.

Debt Service Fund

The debt service fund had \$4,554,758 in revenues and other financing sources, \$4,393,695 in expenditures. During fiscal year 2014, the debt service fund's fund balance increased \$161,063.

Classroom Facilities Fund

The classroom facilities fund had \$16,429 in revenues and \$561,691 in expenditures. During fiscal year 2014, the classroom facilities fund's fund balance, decreased \$545,262. The large decrease in the classroom facilities fund is due to the District's construction project coming to an end.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources were \$19,295,837 and remained the same in the final budgeted revenues. Actual revenues and other financing sources for fiscal year 2014 were \$19,932,276. This represents a \$636,439 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$19,919,503 remained the same in the final budgeted appropriations. The actual budget basis expenditures for fiscal year 2014 totaled \$18,768,914, which was \$1,150,589 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$40,435,393 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The following table shows fiscal year 2014 balances compared to 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 835,287	\$ 1,184,174
Construction in progress	-	34,432,074
Land improvements	1,103,013	385,964
Building and improvements	35,997,482	2,808,426
Furniture and equipment	1,947,780	1,623,568
Vehicles	551,831	657,063
Total	\$ 40,435,393	\$ 41,091,269

Total additions to capital assets for 2014 were \$35,142,296. The overall decrease in capital assets of \$655,876 is primarily due to depreciation expense of \$946,659 and disposals of \$34,851,513 (net of accumulated depreciation) exceeding capital outlays of \$35,142,296 for fiscal year 2014.

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

Debt Administration

At June 30, 2014, the District had \$337,703 in capital lease obligations, \$783,462 in Ohio School Facilities Commission (OSFC) Notes, \$22,338,161 in school facilities construction and improvement bonds outstanding and \$100,000 in an agreement for a bus garage. During fiscal year 2014, the District issued \$2,800,000 in general obligation bonds for financing improvements to public library buildings. Of this total, \$639,392 is due within one year and \$25,719,934 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2014 compared to 2013.

Outstanding Debt, at Year End

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Capital lease obligations	\$ 337,703	\$ 452,526
OSFC Notes	783,462	852,578
School Facilities Construction and Improvement Bonds	22,338,161	22,674,422
Library Improvement Bonds	2,800,000	-
Bus garage agreement	100,000	150,000
Total	\$ 26,359,326	\$ 24,129,526

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Current Financial Related Activities

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

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

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

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

The Administration continues to analyze each position when retirements or resignations occur. We continue to make reductions in staff through attrition. A reduction of 0.20 FTE was made for the 2010-11 school year. A total of 4.41 positions were reduced for the 2011-12 school year, an additional 9.5 reductions were made for the 2012-13 school year, another 5.0 positions reduced for the 13-14 school year. The 2014-15 school year has included a reduction of 1.0 certified position and 1.0 administrative position, although adding 2.0 classified aides resulting in a net change of zero.

The District's opportunity to receive State monies through the Ohio School Facilities Commission became apparent during the 2009 fiscal year. The District qualified for 41% of the master plan cost to come from the State if local voters approved a tax issue to pay the remaining 59%. After obtaining community input, the master plan was approved which included the building of one new central elementary for grades preschool through five, building one middle school for grades six through eight and renovation of the current high school. Community input also pointed to segmenting the master plan to put a tax issue on the ballot for the elementary and middle school buildings in 2009, but to wait to ask voters for taxes to renovate the high school. In addition to the 41% State share, District officials applied and were granted the ability to issue Qualified School Construction Bonds (QSCB) through the federal stimulus monies at zero to very low interest rates. The District successfully passed a 4.9 mill, 38 year 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 the tax collection period by ten years. The true interest cost for the total issue was 3.48%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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

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

The OSFC building projects have not yet been completely closed-out. We hope this process is complete during the 2014-15 school year. The district realized substantial savings from the actual cost of building the elementary and middle schools compared to the estimate. The money from these savings will be used to update the high school building. Updates will include windows, doors, air conditioning, blacktop and roof. It is the intent of the administration to use the savings from the OSFC building project in conjunction with annual permanent improvement funds and proceeds from the sale of the York property to pay for these updates. There is no intention to proceed with another OSFC segment for the high school. Permanent improvement funds are being used to replace high school windows and doors during the 2014-15 school year.

The Lyme Elementary building was sold in December 2010. The Ellis, Ridge and York Elementary Schools and the old Middle School buildings were demolished. The Ellis, Ridge and old Middle School properties are located in the city of Bellevue. These "green" properties were donated to the City once the buildings were demolished. The City intends to use these as parks and a town square gathering place. The York property included our bus garage. This property is located west of the city and was sold in July 2013. In August the district purchased a much larger building and piece of property for our transportation and maintenance departments. This property is located in the city limits and in close proximity to our three school buildings.

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.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments.	\$ 12,793,497
Cash and investments with escrow agent	245,062
Cash in segregated accounts	100,218
Receivables:	
Property taxes	8,568,509
Income taxes.	543,836
Accounts.	2,225
Accrued interest	1,746
Intergovernmental	381,394
Prepayments	84,337
Materials and supplies inventory.	45,885
Loans	924
Capital assets:	
Nondepreciable capital assets	835,287
Depreciable capital assets, net.	39,600,106
Capital assets, net	<u>40,435,393</u>
Total assets.	<u>63,203,026</u>
Liabilities:	
Accounts payable.	114,705
Retainage payable	100,218
Accrued wages and benefits payable	1,707,579
Pension obligation payable.	350,638
Intergovernmental payable	81,792
Accrued interest payable	90,487
Claims payable.	13,014
Long-term liabilities:	
Due within one year.	1,032,530
Due in more than one year.	27,283,099
Total liabilities	<u>30,774,062</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	<u>6,788,777</u>
Net position:	
Net investment in capital assets	19,907,468
Restricted for:	
Capital projects	19,376
Classroom facilities maintenance	609,302
Debt service.	1,403,793
Locally funded programs	11,733
State funded programs.	22,718
Federally funded programs	5,550
Student activities	120,817
Other purposes	345,999
Unrestricted	<u>3,193,431</u>
Total net position.	<u>\$ 25,640,187</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, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 7,949,616	\$ 529,235	\$ 155,731	\$ -	\$ (7,264,650)
Special	3,189,513	45,248	1,601,177	-	(1,543,088)
Vocational	454,936	-	80,763	-	(374,173)
Adult/continuing.	8,447	-	-	-	(8,447)
Other	1,161,052	3,079	-	-	(1,157,973)
Support services:					
Pupil.	1,808,928	-	126,925	-	(1,682,003)
Instructional staff	599,204	205	22,455	-	(576,544)
Board of education	23,268	-	-	-	(23,268)
Administration.	1,368,140	3,015	4,147	-	(1,360,978)
Fiscal.	584,657	-	-	-	(584,657)
Business.	8,819	-	-	-	(8,819)
Operations and maintenance	2,938,692	35,611	-	-	(2,903,081)
Pupil transportation.	978,866	-	22,285	-	(956,581)
Central	61,370	-	-	-	(61,370)
Operation of non-instructional services:					
Other non-instructional services	123,604	25,597	126,889	-	28,882
Food service operations	770,384	342,880	477,132	-	49,628
Extracurricular activities.	813,743	228,470	7,331	805,000	227,058
Pass-through payments	2,855,000	-	-	-	(2,855,000)
Interest and fiscal charges	1,113,522	-	268,415	-	(845,107)
Total governmental activities	\$ 26,811,761	\$ 1,213,340	\$ 2,893,250	\$ 805,000	(21,900,171)

General revenues:

Property taxes levied for:	
General purposes	6,288,808
Special revenue	127,304
Debt service.	1,130,953
Capital outlay.	302,654
School district income taxes	1,352,989
Grants and entitlements not restricted to specific programs	
Investment earnings	47,190
Miscellaneous	125,357
Total general revenues	19,655,352
Change in net position	(2,244,819)
Net position at beginning of year.	27,885,006
Net position at end of year.	\$ 25,640,187

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 7,019,882	\$ 1,106,163	\$ 3,037,280	\$ 1,630,172	\$ 12,793,497
Cash and investments with escrow agent	-	245,062	-	-	245,062
Cash in segregated accounts	-	-	100,218	-	100,218
Receivables:					
Property taxes	6,810,912	1,271,759	-	485,838	8,568,509
Income taxes	543,836	-	-	-	543,836
Accounts	1,029	-	-	1,196	2,225
Accrued interest	476	1,270	-	-	1,746
Interfund loans	114,927	-	-	-	114,927
Intergovernmental	57,516	-	144,477	179,401	381,394
Prepayments	81,670	-	-	2,667	84,337
Materials and supplies inventory	26,499	-	-	19,386	45,885
Loans	924	-	-	-	924
Total assets	<u>\$ 14,657,671</u>	<u>\$ 2,624,254</u>	<u>\$ 3,281,975</u>	<u>\$ 2,318,660</u>	<u>\$ 22,882,560</u>
Liabilities:					
Accounts payable	\$ 84,543	\$ -	\$ -	\$ 30,162	\$ 114,705
Retainage payable	-	-	100,218	-	100,218
Accrued wages and benefits payable	1,532,317	-	-	175,262	1,707,579
Compensated absences payable	313,094	-	-	5,977	319,071
Early retirement incentive payable	10,308	-	-	600	10,908
Interfund loans payable	-	-	-	114,927	114,927
Intergovernmental payable	73,364	-	-	8,428	81,792
Pension obligation payable	317,206	-	-	33,432	350,638
Claims payable	13,014	-	-	-	13,014
Total liabilities	<u>2,343,846</u>	<u>-</u>	<u>100,218</u>	<u>368,788</u>	<u>2,812,852</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	5,397,218	1,006,804	-	384,755	6,788,777
Delinquent property tax revenue not available	312,589	58,638	-	22,301	393,528
Accrued interest not available	-	317	-	-	317
Miscellaneous revenue not available	42,351	-	-	-	42,351
Income tax revenue not available	97,369	-	-	-	97,369
Intergovernmental revenues not available	14,720	-	144,477	3,573	162,770
Total deferred inflows of resources	<u>5,864,247</u>	<u>1,065,759</u>	<u>144,477</u>	<u>410,629</u>	<u>7,485,112</u>
Fund balances:					
Nonspendable	108,169	-	-	22,053	130,222
Restricted	-	1,558,495	3,037,280	1,150,067	5,745,842
Committed	-	-	-	399,193	399,193
Assigned	764,492	-	-	-	764,492
Unassigned (deficit)	5,576,917	-	-	(32,070)	5,544,847
Total fund balances	<u>6,449,578</u>	<u>1,558,495</u>	<u>3,037,280</u>	<u>1,539,243</u>	<u>12,584,596</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 14,657,671</u>	<u>\$ 2,624,254</u>	<u>\$ 3,281,975</u>	<u>\$ 2,318,660</u>	<u>\$ 22,882,560</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$ 12,584,596
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		40,435,393
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 393,528	
Income taxes receivable	97,369	
Accrued interest receivable	317	
Intergovernmental receivable	205,121	
Total	696,335	696,335
Unamortized premiums on bonds issued are not recognized in the funds.		(367,171)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(90,487)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
School facilities construction and improvement bonds	(22,338,161)	
Library improvement bonds	(2,800,000)	
Capital lease obligations	(337,703)	
Compensated absences	(1,259,153)	
Energy conservation notes	(783,462)	
Bus garage agreement	(100,000)	
Total	(27,618,479)	(27,618,479)
Net position of governmental activities		\$ 25,640,187

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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 6,480,205	\$ 1,163,564	\$ -	\$ 443,661	\$ 8,087,430
Income taxes	1,352,989	-	-	-	1,352,989
Tuition	467,639	-	-	-	467,639
Earnings on investments	19,215	14,808	11,484	2,816	48,323
Charges for services	-	-	-	337,918	337,918
Extracurricular	25,597	-	-	192,532	218,129
Classroom materials and fees	65,313	-	-	-	65,313
Rental income	35,611	-	-	-	35,611
Contributions and donations	8,860	-	-	6,058	14,918
Other local revenues	154,449	-	-	59,638	214,087
Intergovernmental - state	10,846,708	166,985	4,945	295,727	11,314,365
Intergovernmental - federal	56,563	268,415	-	1,607,182	1,932,160
Total revenues	<u>19,513,149</u>	<u>1,613,772</u>	<u>16,429</u>	<u>2,945,532</u>	<u>24,088,882</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,951,289	-	-	272,268	7,223,557
Special	2,362,627	-	-	717,823	3,080,450
Vocational	420,634	-	-	-	420,634
Adult/continuing	8,213	-	-	-	8,213
Other	1,124,110	-	-	-	1,124,110
Support services:					
Pupil	1,640,618	-	-	124,570	1,765,188
Instructional staff	542,684	-	-	56,411	599,095
Board of education	22,631	-	-	-	22,631
Administration	1,310,943	3,709	-	3,560	1,318,212
Fiscal	525,478	30,284	-	11,796	567,558
Business	8,600	-	-	-	8,600
Operations and maintenance	1,781,025	-	-	165,953	1,946,978
Pupil transportation	845,476	-	-	-	845,476
Central	59,917	-	-	-	59,917
Operation of non-instructional services:					
Other non-instructional services	24,025	-	-	98,786	122,811
Food service operations	-	-	-	698,905	698,905
Extracurricular activities	479,307	-	-	257,471	736,778
Facilities acquisition and construction	20,982	-	561,691	391,078	973,751
Debt service:					
Principal retirement	85,166	439,116	-	79,657	603,939
Interest and fiscal charges	16,449	1,065,586	-	2,770	1,084,805
Bond issuance costs	-	-	-	-	-
Pass-through payments	-	2,855,000	-	-	2,855,000
Total expenditures	<u>18,230,174</u>	<u>4,393,695</u>	<u>561,691</u>	<u>2,881,048</u>	<u>26,066,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,282,975</u>	<u>(2,779,923)</u>	<u>(545,262)</u>	<u>64,484</u>	<u>(1,977,726)</u>
Other financing sources (uses):					
Premium on bonds	-	67,780	-	-	67,780
Sale of bonds	-	2,800,000	-	-	2,800,000
Sale of capital assets	11,700	-	-	158,905	170,605
Transfers in	-	73,206	-	2,514	75,720
Transfers (out)	(75,720)	-	-	-	(75,720)
Total other financing sources (uses)	<u>(64,020)</u>	<u>2,940,986</u>	<u>-</u>	<u>161,419</u>	<u>3,038,385</u>
Net change in fund balances	1,218,955	161,063	(545,262)	225,903	1,060,659
Fund balances at beginning of year	5,252,273	1,397,432	3,582,542	1,313,418	11,545,665
Decrease in reserve for inventory	(21,650)	-	-	(78)	(21,728)
Fund balances at end of year	<u>\$ 6,449,578</u>	<u>\$ 1,558,495</u>	<u>\$ 3,037,280</u>	<u>\$ 1,539,243</u>	<u>\$ 12,584,596</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$	1,060,659
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 468,956	
Current year depreciation	(946,659)	
Total		(477,703)
The net effect of disposals involving capital assets is to decrease net position		(983,173)
The effect of contributions of capital assets is to increase net position.		805,000
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(21,728)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(237,711)	
Earnings on investments	(20)	
Intergovernmental	(91,241)	
Total		(328,972)
Repayment of bond, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	370,000	
Notes	69,116	
Capital leases	114,823	
Bus garage agreement	50,000	
Total		603,939
Issuance of library improvement bonds is reported as an other financing sources in the governmental funds; however, the issuance is recorded as a liability on the statement of net position		(2,800,000)
Premiums on library improvement bonds are amortized over the life of the issuance in the statement of activities.		(67,780)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(9,848)	
Accreted interest on capital appreciation bonds	(33,739)	
Amortization of bond premiums	14,870	
Total		(28,717)
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		
Increase in compensated absences		(6,344)
Change in net position of governmental activities	\$	(2,244,819)

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, 2014

	<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	\$ 6,475,000	\$ 6,475,000	\$ 6,682,477	\$ 207,477
Income taxes.	1,363,000	1,363,000	1,363,042	42
Tuition.	398,351	398,351	467,639	69,288
Earnings on investments	20,000	20,000	18,994	(1,006)
Classroom materials and fees	43,638	43,638	42,637	(1,001)
Rental income	35,000	35,000	33,888	(1,112)
Other local revenues	85,561	85,561	103,128	17,567
Intergovernmental - state	10,566,190	10,566,190	10,856,810	290,620
Intergovernmental - federal	32,000	32,000	56,563	24,563
Total revenues	19,018,740	19,018,740	19,625,178	606,438
Expenditures:				
Current:				
Instruction:				
Regular	7,163,784	7,163,784	6,838,325	325,459
Special.	2,653,806	2,653,806	2,396,181	257,625
Vocational.	447,977	447,977	432,300	15,677
Adult/continuing	9,065	9,065	14,421	(5,356)
Other.	1,185,721	1,185,721	1,120,817	64,904
Support services:				
Pupil.	1,517,679	1,517,679	1,578,830	(61,151)
Instructional staff	730,935	730,935	683,916	47,019
Board of education	28,755	28,755	23,247	5,508
Administration.	1,594,235	1,594,235	1,364,672	229,563
Fiscal	579,210	579,210	554,746	24,464
Business	6,920	6,920	8,373	(1,453)
Operations and maintenance.	2,094,260	2,094,260	2,013,935	80,325
Pupil transportation	1,031,168	1,031,168	960,122	71,046
Central.	63,816	63,816	60,393	3,423
Extracurricular activities.	495,190	495,190	487,092	8,098
Facilities acquisition and construction	20,982	20,982	20,982	-
Total expenditures	19,623,503	19,623,503	18,558,352	1,065,151
Excess (deficiency) of revenues over (under) expenditures.	(604,763)	(604,763)	1,066,826	1,671,589
Other financing sources (uses):				
Refund of prior year's expenditures	69,355	69,355	91,156	21,801
Refund of prior year's receipts.	(12,000)	(12,000)	(10,102)	1,898
Transfers (out).	(84,000)	(84,000)	(84,608)	(608)
Advances in.	204,242	204,242	204,242	-
Advances (out)	(200,000)	(200,000)	(115,852)	84,148
Sale of capital assets	3,500	3,500	11,700	8,200
Total other financing sources (uses)	(18,903)	(18,903)	96,536	115,439
Net change in fund balance	(623,666)	(623,666)	1,163,362	1,787,028
Fund balance at beginning of year	5,089,030	5,089,030	5,089,030	-
Prior year encumbrances appropriated	290,084	290,084	290,084	-
Fund balance at end of year	\$ 4,755,448	\$ 4,755,448	\$ 6,542,476	\$ 1,787,028

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 9,813	\$ 86,848
Receivables:		
Accounts	-	292
	-	292
Total assets.	\$ 9,813	\$ 87,140
Liabilities:		
Accounts payable.	\$ -	\$ 2,030
Due to students.	-	84,186
Loans payable	-	924
	-	924
Total liabilities	\$ -	\$ 87,140
Net position:		
Held in trust for scholarships	9,813	
Total net position.	\$ 9,813	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 22
Gifts and contributions.	250
Total additions.	272
 Deductions:	
Scholarships awarded	2,000
Change in net position	(1,728)
Net position at beginning of year.	11,541
Net position at end of year	\$ 9,813

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, 2014

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 three instructional/support facilities staffed by 99 non-certified employees and 173 certified teaching personnel to provide services to approximately 2,035 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.

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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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.

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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

The following organizations are described due to their relationship to the District:

RELATED ORGANIZATION

Bellevue Public Library

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of various 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. In fiscal year 2014, the District paid \$28,310 for Bay Area Natural Gas. 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 1210 East Bogart Road, 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 various 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. In fiscal year 2014, the District paid \$14,670 for services. 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, Matt Bauer, who serves as Controller, 1210 East Bogart Road, Sandusky, Ohio 44870.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative (“the Cooperative”) is composed of various school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. In fiscal year 2014, the District did not make any payments. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 1210 East Bogart Road, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

PUBLIC ENTITY RISK POOLS

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.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of several districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 1210 East Bogart Road, Sandusky, Ohio 44870.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and note 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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, deferred outflows of resources, current liabilities and deferred inflows of resources 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

D. Basis of Accounting

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

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

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

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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

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

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

E. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
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 2014.
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

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 2014. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

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 2014, investments were limited to Federal Farm Credit Bank (FFCB) Securities, Federal Home Loan Bank (FHLB) securities, U.S. Government money markets and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. 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, 2014.

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 2014 amounted to \$19,215, which includes \$2,062 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

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.

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

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

H. Capital Assets

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, 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>	Governmental Activities <u>Estimated Lives</u>
Land improvements	10 - 70 years
Buildings and improvements	5 - 70 years
Furniture and equipment	5 - 50 years
Vehicles	6 - 20 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service.

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

N. Prepayments

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

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

O. Estimates

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

P. Unamortized Bond Premium and Discount/Issuance Costs

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On fund financial statements and the government wide financial statements, issuance costs are expended/expensed in the fiscal year they occur.

On the governmental fund financial statements, bond 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 position is presented in Note 11.A.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 163
IDEA Part-B	25,241
Title I	4,618
IDEA Part-B preschool	125
Improving teacher quality	1,923

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. Cash and Investments with Escrow Agent

At fiscal year end, \$245,062 was on deposit with an escrow agent for monies held in relation to the District's sinking fund deposits that are required for the District's Series 2010A bonds (See Note 11.C.). These funds are included as "investments" below.

B. Cash in Segregated Accounts

At fiscal year end, \$100,218 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts."

C. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$11,025,305. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$7,915,260 of the District's bank balance of \$11,237,702 was exposed to custodial risk as discussed below, while \$3,322,442 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2014, 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>Greater than 24 months</u>
STAR Ohio	\$ 1,864,853	\$ 1,864,853	\$ -
FFCB	61,290	-	61,290
FHLB	176,278	-	176,278
U.S. Government money market	7,494	7,494	-
Total	<u>\$ 2,109,915</u>	<u>\$ 1,872,347</u>	<u>\$ 237,568</u>

The weighted average maturity of the investments is 1.34 years.

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Government money markets 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, 2014
(CONTINUED)

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, 2014.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,864,853	88.39
FFCB	61,290	2.90
FHLB	176,278	8.35
U.S. Government money market	7,494	0.36
Total	<u>\$ 2,109,915</u>	<u>100.00</u>

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

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,025,305
Investments	2,109,915
Cash in segregated accounts	<u>100,218</u>
Total	<u>\$ 13,235,438</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 13,138,777
Private-purpose trust fund	9,813
Agency fund	<u>86,848</u>
Total	<u>\$ 13,235,438</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2014 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 fund	<u>\$ 114,927</u>

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

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$ 2,514
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Transfers to debt service fund from:

General fund	73,206
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Total	\$ 75,720
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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.

All transfers made in fiscal year 2014 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide statement of activities.

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

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	\$ 924

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

NOTE 6 - PROPERTY TAXES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

The District receives property taxes from Erie, Huron, Sandusky and Seneca Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,101,105 in the general fund, \$206,317 in the debt service fund and \$78,782 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,303,377 in the general fund, \$229,738 in the debt service fund and \$93,609 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 delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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 reported as a deferred inflow.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 237,812,490	96.52	\$ 240,955,640	96.49
Public utility personal	<u>8,581,340</u>	<u>3.48</u>	<u>8,777,670</u>	<u>3.51</u>
Total	<u>\$ 246,393,830</u>	<u>100.00</u>	<u>\$ 249,733,310</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$43.05		\$43.79	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District maintains a five year .5% income tax through December 31, 2016 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 2014 was \$1,352,989.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 8,568,509
Income taxes	543,836
Accounts	2,225
Accrued interest	1,746
Intergovernmental	<u>381,394</u>
Total	<u>\$ 9,497,710</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 \$144,477, 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, 2014
(CONTINUED)

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,184,174	\$ -	\$ (348,887)	\$ 835,287
Construction in progress	<u>34,432,074</u>	<u>-</u>	<u>(34,432,074)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>35,616,248</u>	<u>-</u>	<u>(34,780,961)</u>	<u>835,287</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,024,578	780,840	(89,099)	1,716,319
Buildings and improvements	5,336,014	33,817,956	(64,300)	39,089,670
Furniture and equipment	2,570,435	510,294	(43,122)	3,037,607
Vehicles	<u>1,652,390</u>	<u>33,206</u>	<u>(48,044)</u>	<u>1,637,552</u>
Total capital assets, being depreciated	<u>10,583,417</u>	<u>35,142,296</u>	<u>(244,565)</u>	<u>45,481,148</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(638,614)	(36,980)	62,288	(613,306)
Buildings and improvements	(2,527,588)	(601,223)	36,623	(3,092,188)
Furniture and equipment	(946,867)	(170,018)	27,058	(1,089,827)
Vehicles	<u>(995,327)</u>	<u>(138,438)</u>	<u>48,044</u>	<u>(1,085,721)</u>
Total accumulated depreciation	<u>(5,108,396)</u>	<u>(946,659)</u>	<u>174,013</u>	<u>(5,881,042)</u>
Governmental activities capital assets, net	<u>\$ 41,091,269</u>	<u>\$34,195,637</u>	<u>\$(34,851,513)</u>	<u>\$ 40,435,393</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 556,684
Special	32,442
Other	4,921

Support services:

Instructional staff	11,751
Administration	13,264
Operations and maintenance	136,654
Pupil transportation	100,437
Extracurricular activities	60,965
Food service operations	<u>29,541</u>

Total depreciation expense \$ 946,659

During fiscal year 2014, the District disposed of \$563,734 of construction in progress that was expensed rather than capitalized in another capital asset category.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for copier equipment, vehicles and other miscellaneous equipment. 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 \$651,251. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$358,736, leaving a current book value of \$292,515. A corresponding liability was recorded in the government-wide statement of net position. Principal payments in the 2014 fiscal year were as follows: \$85,166 paid by the general fund and \$29,657 paid by the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 133,727
2016	129,974
2017	59,694
2018	<u>40,585</u>
Total minimum lease payments	363,980
Less: amount representing interest	<u>(26,277)</u>
Total	<u>\$ 337,703</u>

In calculating net investment in capital assets on the statement of net position, capital leases capitalized have outstanding debt at June 30, 2014 in the amount of \$337,094.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2014, the following changes occurred in the governmental activities long-term obligations:

	Balance		Balance		Amounts
	<u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/14</u>	<u>Due in</u> <u>One Year</u>
Governmental activities:					
Library improvement bonds	\$ -	\$ 2,800,000	\$ -	\$ 2,800,000	\$ 20,000
Energy conservation notes	852,578	-	(69,116)	783,462	69,461
General obligation bonds:					
Series 2010A	8,725,000	-	(290,000)	8,435,000	300,000
Series 2010B and C	13,949,422	33,739	(80,000)	13,903,161	80,000
Capital lease obligation	452,526	-	(114,823)	337,703	119,931
Bus garage agreement	150,000	-	(50,000)	100,000	50,000
Compensated absences	<u>1,567,213</u>	<u>387,438</u>	<u>(365,519)</u>	<u>1,589,132</u>	<u>393,138</u>
Total long-term obligations	<u>\$ 25,696,739</u>	<u>\$ 3,221,177</u>	<u>\$ (969,458)</u>	27,948,458	<u>\$ 1,032,530</u>
Add: unamortized premium				<u>367,171</u>	
Total on statement of net position				<u>\$ 28,315,629</u>	

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

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

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

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

Fiscal Year	Principal	Interest	Total
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 69,461	\$ 3,744	\$ 73,205
2016	69,808	3,395	73,203
2017	70,157	3,046	73,203
2018	70,508	2,694	73,202
2019	70,861	2,340	73,201
2020 - 2024	359,654	6,338	365,992
2025	<u>73,013</u>	<u>183</u>	<u>73,196</u>
Total	<u>\$ 783,462</u>	<u>\$ 21,740</u>	<u>\$ 805,202</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as expenditures 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, 2026. The following is a schedule of activity for the Series 2010A QSCBs:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds -				
2010 A series	\$ 8,725,000	\$ -	\$ (290,000)	\$ 8,435,000

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

\$3,000,000 of the QSCBs are subject to mandatory sinking fund deposits. The District is required to maintain a sinking fund account and deposit monies each December 1 into the account for payment of the bonds at maturity on December 1, 2026. During fiscal year 2014, the District made \$74,078 in sinking fund deposits. The payments into the sinking fund are made through the debt service fund. On the financial statements, the fair value of the investments accumulated in the sinking fund in the amount of \$245,062 is reported as “cash and investments with escrow agent”.

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

<u>Fiscal Year</u>	<u>Sinking Fund</u> <u>Required Deposit</u>
2015	\$ 80,187
2016	86,688
2017	99,846
2018	107,476
2019	115,583
2020 - 2024	809,773
2025 - 2026	<u>435,907</u>
Total	<u>\$ 1,735,460</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2010A - Term Bonds		
	Principal	Interest	Total
2015	\$ -	\$ 45,000	\$ 45,000
2016	-	45,000	45,000
2017	-	45,000	45,000
2018	-	45,000	45,000
2019	-	45,000	45,000
2020 - 2024	-	225,000	225,000
2025 - 2028	<u>3,000,000</u>	<u>112,500</u>	<u>3,112,500</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 562,500</u>	<u>\$ 3,562,500</u>

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

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2010A - Bullet Maturity		
	Principal	Interest	Total
2015	\$ 300,000	\$ 79,275	\$ 379,275
2016	315,000	74,662	389,662
2017	330,000	69,825	399,825
2018	350,000	64,725	414,725
2019	355,000	59,437	414,437
2020 - 2024	2,265,000	203,062	2,468,062
2025 - 2028	<u>1,520,000</u>	<u>33,076</u>	<u>1,553,076</u>
Total	<u>\$ 5,435,000</u>	<u>\$ 584,062</u>	<u>\$ 6,019,062</u>

- D. School Facilities Construction and Improvement Bonds - Series 2010B and 2010C:** On March 10, 2010, the District issued Series 2010B current interest serial bonds, par value \$565,000, Series 2010b capital appreciation bonds, par value \$249,991, and Series 2010C current interest Building America Bonds (BABs), par value \$13,195,000, to finance building construction and improvements. The interest rates on the current interest bonds range from .08% to 6.45%. The capital appreciation bonds mature on December 1, 2029 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,490,000. Total accreted interest of \$123,170 has been included in the statement of net position at June 30, 2014. \$3,209,012 of the proceeds of these bonds, which includes the \$357,164 bond premium at issuance, were unspent at June 30, 2014.

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 position. Payments of principal and interest relating to this bond will be recorded as an expenditure 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, 2014
(CONTINUED)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

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

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2014</u>
Current interest bonds -				
2010B serial	\$ 415,000	\$ -	\$ (80,000)	\$ 335,000
2010C BABs	13,195,000	-	-	13,195,000
Capital appreciation bonds -				
2010B	249,991	-	-	249,991
Capital appreciation bonds -				
Accreted interest	<u>89,431</u>	<u>33,739</u>	<u>-</u>	<u>123,170</u>
Total	<u>\$ 13,949,422</u>	<u>\$ 33,739</u>	<u>\$ (80,000)</u>	<u>\$ 13,903,161</u>

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

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 80,000	\$ 833,280	\$ 913,280	\$ -	\$ -	\$ -
2016	85,000	831,630	916,630	-	-	-
2017	85,000	829,760	914,760	-	-	-
2018	85,000	827,571	912,571	-	-	-
2019	100,000	823,977	923,977	-	-	-
2020 - 2024	490,000	4,046,674	4,536,674	-	-	-
2025 - 2029	1,315,000	3,822,189	5,137,189	189,853	910,147	1,100,000
2030 - 2034	5,220,000	2,886,893	8,106,893	60,138	329,862	390,000
2035 - 2038	<u>6,070,000</u>	<u>811,045</u>	<u>6,881,045</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,530,000</u>	<u>\$ 15,713,019</u>	<u>\$ 29,243,019</u>	<u>\$ 249,991</u>	<u>\$ 1,240,009</u>	<u>\$ 1,490,000</u>

- E.** *Series 2013 Library Improvement Bonds* - In fiscal year 2014, the District issued \$2,800,000 in general obligation bonds for the purpose of financing improvements to public library buildings. These bonds mature December 1, 2041. The balance of the bonds of \$2,800,000 and the unamortized premium of \$65,781 are not included in the District's calculation of net investment in capital assets because none of the proceeds were used to purchase capital assets owned by the District. The source of revenue to retire the bonds is derived from voted property tax levies recorded 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, 2014
(CONTINUED)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the library improvement bonds:

Fiscal Year Ending June 30,	Library Improvement Bonds		
	Principal	Interest	Total
2015	\$ 20,000	\$ 124,545	\$ 144,545
2016	55,000	122,903	177,903
2017	60,000	120,425	180,425
2018	60,000	117,845	177,845
2019	65,000	115,148	180,148
2020 - 2024	365,000	531,028	896,028
2025 - 2029	450,000	443,475	893,475
2030 - 2034	550,000	337,175	887,175
2035 - 2039	685,000	198,693	883,693
2040 - 2042	490,000	35,250	525,250
Total	<u>\$ 2,800,000</u>	<u>\$ 2,146,487</u>	<u>\$ 4,946,487</u>

F. Bus Garage Agreement - During fiscal year 2013, the District purchased a bus garage and maintenance building, including land, for \$492,783 and paid \$342,783 in fiscal year 2013. The district paid \$50,000 in fiscal year 2014 and additional payments of \$50,000 will be made in fiscal years 2015 and 2016. The payments for this agreement will be made out of the permanent improvement fund (a nonmajor governmental fund).

G. 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, 2014, are a voted debt margin of (\$980,498) including available funds of \$1,558,495 and an unvoted debt margin of \$249,733. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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	70,323,977	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.

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 \$250,000 per individual incurred anytime but paid between 7/1/13 and 6/30/14. Individual coverage per person is \$1,000,000 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 12 - RISK MANAGEMENT - (Continued)

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".

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 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, 2014, 2013 and 2012 were \$359,420, \$358,177 and \$356,180, respectively; 81.24 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 13 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,151,285, \$1,139,072 and \$1,175,337, respectively; 83.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$35,698 made by the District and \$28,049 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$51,595, \$46,429 and \$57,239, respectively; 81.24 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$20,852, \$20,233 and \$21,034, respectively; 81.24 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, 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, 2014, 2013 and 2012 were \$88,560, \$87,621 and \$90,411, respectively; 83.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,163,362
Net adjustment for revenue accruals	(222,257)
Net adjustment for expenditure accruals	60,318
Net adjustment for other sources/uses	(169,443)
Funds budgeted elsewhere	(18,648)
Adjustment for encumbrances	<u>405,623</u>
GAAP basis	<u>\$ 1,218,955</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

The District 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 involved in no material litigation as either plaintiff or defendant.

NOTE 17 - SET ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 17 - SET ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	345,653
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(402,793)
Excess qualified expenditures from prior years	-
Current year offsets	(744,311)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (801,450)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 324,199
Classroom facilities	417,617
Other governmental	<u>133,880</u>
Total	<u>\$ 875,696</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 19 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 26,499	\$ -	\$ -	\$ 19,386	\$ 45,885
Prepays	81,670	-	-	2,667	84,337
Total nonspendable	<u>108,169</u>	<u>-</u>	<u>-</u>	<u>22,053</u>	<u>130,222</u>
Restricted:					
Debt service	-	1,558,495	-	-	1,558,495
Capital improvements	-	-	3,037,280	24,330	3,061,610
Classroom facilities maintenance	-	-	-	609,302	609,302
Food service operations	-	-	-	358,800	358,800
Non-public schools	-	-	-	18,765	18,765
Extracurricular	-	-	-	120,817	120,817
Other purposes	-	-	-	18,053	18,053
Total restricted	<u>-</u>	<u>1,558,495</u>	<u>3,037,280</u>	<u>1,150,067</u>	<u>5,745,842</u>
Committed:					
Capital improvements	-	-	-	399,193	399,193
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>399,193</u>	<u>399,193</u>
Assigned:					
Student instruction	79,172	-	-	-	79,172
Student and staff support	278,147	-	-	-	278,147
Subsequent year's appropriations	405,070	-	-	-	405,070
Other purposes	2,103	-	-	-	2,103
Total assigned	<u>764,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>764,492</u>
Unassigned (deficit)	<u>5,576,917</u>	<u>-</u>	<u>-</u>	<u>(32,070)</u>	<u>5,544,847</u>
Total fund balances	<u>\$ 6,449,578</u>	<u>\$ 1,558,495</u>	<u>\$ 3,037,280</u>	<u>\$ 1,539,243</u>	<u>\$ 12,584,596</u>

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**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$45,226	\$45,226
National School Lunch Program			
Cash Assistance	10.555	311,877	311,877
Non-cash Assistance (Food Distribution)	10.555	51,660	51,660
Total - National School Lunch Program		<u>363,537</u>	<u>363,537</u>
Total Child Nutrition Cluster		408,763	408,763
State Administrative Expenses for Child Nutrition	10.560	5,550	5,550
Total United States Department of Agriculture		<u>414,313</u>	<u>414,313</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	468,692	464,568
Special Education - Preschool Grants (IDEA Preschool)	84.173	19,847	20,032
Total - Special Education Cluster		<u>488,539</u>	<u>484,600</u>
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	439,278	386,137
Improving Teacher Quality State Grants	84.367	77,933	78,172
ARRA - Race to the Top	84.395	71,784	79,837
Total United States Department of Education		<u>1,077,534</u>	<u>1,028,746</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$1,491,847</u>	<u>\$1,443,059</u>

The accompanying notes are an integral part of this schedule.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 15, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Bellevue City School District, Huron County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Bellevue City School District, Huron County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 15, 2015

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Education Agencies (Title I, Part A of the ESEA) – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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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
FEBRUARY 17, 2015**