



OHIO AUDITOR OF STATE  
**KEITH FABER**





**BELLEVUE CITY SCHOOL DISTRICT  
HURON COUNTY  
JUNE 30, 2018**

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## 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, 2018, 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 such 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, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

### **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*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

Columbus, Ohio

March 13, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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, 2018. 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 2018 are as follows:

- In total, net position of governmental activities increased \$11,398,719 which represents an 137.02% increase from the 2017 restated net position.
- General revenues accounted for \$22,388,186 in revenue or 84.43% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$4,129,781 or 15.57% of total revenues of \$26,517,967.
- The District had \$15,119,248 in expenses related to governmental activities; only \$4,129,781 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 \$22,388,186 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$21,914,114 in revenues and \$21,592,072 in expenditures and other financing uses. During fiscal year 2018, the general fund's fund balance increased \$361,975 from a fund balance of \$8,075,465 to \$8,437,440.
- The debt service fund had \$2,092,621 in revenues and other financing sources and \$1,650,479 in expenditures. During fiscal year 2018, the debt service fund's fund balance increased \$442,142.

**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 and the debt service 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, 2018  
(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 2018?" 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 and the debt service 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, 2018  
(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 students or other entities. These activities are reported in agency funds. 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.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**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, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Governmental Activities 2018	Governmental Activities 2017
<b><u>Assets</u></b>		
Current and other assets	\$ 23,197,306	\$ 24,533,196
Capital assets, net	<u>41,263,750</u>	<u>41,441,430</u>
Total assets	<u>64,461,056</u>	<u>65,974,626</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	7,303,788	6,354,602
OPEB	244,862	51,317
Total deferred outflows of resources	<u>7,548,650</u>	<u>6,405,919</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,443,450	4,237,804
Long-term liabilities:		
Due within one year	901,190	986,077
Due in more than one year:		
Net pension liability	25,559,083	34,968,678
Net OPEB liability	5,817,790	7,181,707
Other amounts	<u>25,143,313</u>	<u>25,529,416</u>
Total liabilities	<u>59,864,826</u>	<u>72,903,682</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for the next fiscal year	7,497,409	7,710,753
Pension	913,736	85,132
OPEB	654,038	-
Total deferred inflows of resources	<u>9,065,183</u>	<u>7,795,885</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	19,483,207	17,332,586
Restricted	3,705,137	4,777,679
Unrestricted (deficit)	<u>(20,108,647)</u>	<u>(30,429,287)</u>
Total net position (deficit)	<u>\$ 3,079,697</u>	<u>\$ (8,319,022)</u>

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$1,188,632) to (\$8,319,022).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$3,079,697.

At year-end, capital assets represented 64.01% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2018, was \$19,483,207. 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, \$3,705,137, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$20,108,647.

The table below shows the change in net position for fiscal year 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2018</u>	<u>2017</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,533,112	\$ 1,333,248
Operating grants and contributions	2,596,669	2,435,255
General revenues:		
Property taxes	9,550,095	8,517,832
School district income taxes	1,560,655	1,448,310
Grants and entitlements	10,964,414	11,243,842
Investment earnings	155,769	138,934
Decrease in FMV of investments	(8,412)	(59,252)
Other	<u>165,665</u>	<u>114,753</u>
Total revenues	<u>26,517,967</u>	<u>25,172,922</u>
		- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	<b>Change in Net Position</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2018</u>	<u>2017</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,065,060	\$ 8,804,924
Special	2,107,577	3,703,926
Vocational	196,139	415,594
Adult/continuing	1,889	7,170
Other	1,587,616	1,494,309
Support services:		
Pupil	1,057,414	1,942,678
Instructional staff	434,011	1,050,232
Board of education	35,372	41,960
Administration	779,194	1,518,580
Fiscal	376,859	541,436
Business	3,777	13,172
Operation and maintenance	1,572,273	2,351,455
Pupil transportation	453,833	1,179,278
Central	21,214	53,803
Operations of non-instructional services:		
Other non-instructional services	181,147	153,325
Food service operations	642,873	852,843
Extracurricular activities	499,670	858,856
Interest and fiscal charges	<u>1,103,330</u>	<u>1,114,591</u>
Total expenses	<u>15,119,248</u>	<u>26,098,132</u>
Change in net position	11,398,719	(925,210)
Net position (deficit) at beginning of year	<u>(8,319,022)</u>	N/A
Net position (deficit) at end of year	<u><u>\$ 3,079,697</u></u>	<u><u>\$ (8,319,022)</u></u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$51,317 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$850,698. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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Total 2018 program expenses under GASB 75	\$ 15,119,248
Negative OPEB expense under GASB 75	850,698
2018 contractually required contributions	52,726
	<hr/>
Adjusted 2018 program expenses	16,022,672
Total 2017 program expenses under GASB 45	51,317
	<hr/>
Decrease in program expenses not related to OPEB	<u><u>\$ 15,971,355</u></u>

**Governmental Activities**

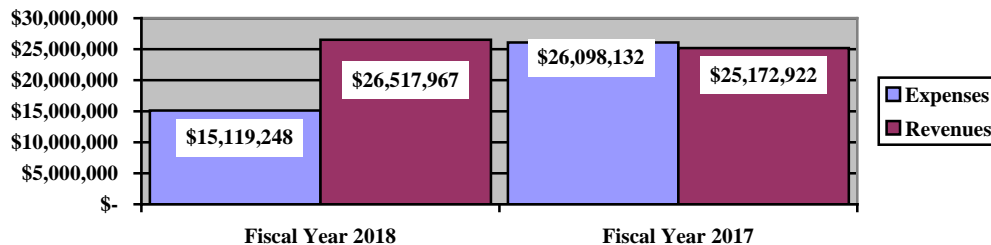
Net position of the District's governmental activities increased \$11,398,719. Total governmental expenses of \$15,119,248 were offset by program revenues of \$4,129,781 and general revenues of \$22,388,186. Program revenues supported 27.31% of the total governmental expenses.

Expenses of the governmental activities decreased \$10,978,884 or 42.07%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$7,955,118) in pension expense and (\$850,698) in OPEB expense mainly due to these benefit changes.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 83.24% of total governmental revenue. Property taxes increased \$1,032,263 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, 2018, 2017 and 2016 were \$1,535,883, \$1,337,535 and \$2,063,887 respectively. The amount of tax advance available at year end can vary depending on when the County Auditor distributes tax bills. Expenses decreased largely due the COLA adjustment.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2018 and 2017.

**Governmental Activities - Revenues and Expenses**





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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

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 2018 compared to fiscal year 2017. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements and other general revenues of the District.

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
<b>Governmental Activities</b>				
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,065,060	\$ 3,228,226	\$ 8,804,924	\$ 7,971,931
Special	2,107,577	531,310	3,703,926	2,451,439
Vocational	196,139	83,743	415,594	409,089
Adult/continuing	1,889	1,889	7,170	7,170
Other	1,587,616	1,587,616	1,494,309	1,491,605
Support services:				
Pupil	1,057,414	1,001,186	1,942,678	1,798,255
Instructional staff	434,011	426,679	1,050,232	1,041,506
Board of education	35,372	35,372	41,960	41,960
Administration	779,194	779,194	1,518,580	1,507,954
Fiscal	376,859	376,859	541,436	541,436
Business	3,777	3,777	13,172	13,172
Operation and maintenance	1,572,273	1,557,783	2,351,455	2,322,231
Pupil transportation	453,833	425,343	1,179,278	1,163,026
Central	21,214	21,214	53,803	53,803
Operations of non-instructional services:				
Other non-instructional services	181,147	6,229	153,325	(36,083)
Food service operations	642,873	(232,828)	852,843	(21,017)
Extracurricular activities	499,670	187,187	858,856	592,204
Interest and fiscal charges	1,103,330	968,688	1,114,591	979,948
<b>Total expenses</b>	<b>\$ 15,119,248</b>	<b>\$ 10,989,467</b>	<b>\$ 26,098,132</b>	<b>\$ 22,329,629</b>

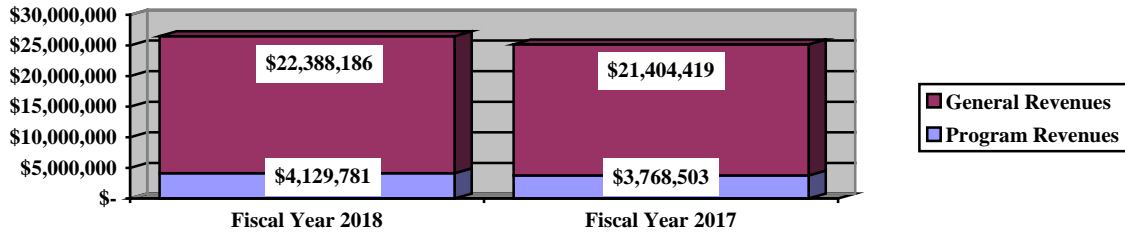
The dependence upon tax and other general revenues for governmental activities is apparent as 68.27% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.69%. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2018 and 2017.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$12,475,506 which is more than last year's balance of \$11,833,874. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	Increase/ <u>(Decrease)</u>
General	\$ 8,437,440	\$ 8,075,465	\$ 361,975
Debt Service	2,554,640	2,112,498	442,142
Other Governmental	1,483,426	1,645,912	(162,486)
Total	<u>\$ 12,475,506</u>	<u>\$ 11,833,875</u>	<u>\$ 641,631</u>

**General Fund**

The District's general fund balance increased \$361,975. The increase in fund balance can be attributed to revenues exceeding expenditures during the year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

	2018 <u>Amount</u>	2017 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 9,387,801	\$ 8,282,309	13.35 %
Tuition	821,289	631,914	29.97 %
Earnings on investments	141,932	127,584	11.25 %
Intergovernmental	11,270,891	11,471,432	(1.75) %
Other revenues	<u>292,201</u>	<u>296,486</u>	(1.45) %
Total	<u>\$ 21,914,114</u>	<u>\$ 20,809,725</u>	5.31 %
<b><u>Expenditures</u></b>			
Instruction	\$ 12,927,143	\$ 12,414,272	4.13 %
Support services	7,837,485	7,633,203	2.68 %
Operation of non-instructional services	50,650	31,440	61.10 %
Extracurricular activities	554,757	521,052	6.47 %
Facilities acquisition and construction	30,286	-	100.00 %
Debt service	<u>118,549</u>	<u>137,658</u>	(13.88) %
Total	<u>\$ 21,518,870</u>	<u>\$ 20,737,625</u>	3.77 %

Property taxes increased 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, 2018, 2017 and 2016 were \$1,241,124, \$1,077,138 and \$1,657,184 respectively. The amount of tax advance available at year end can vary depending on when the County Auditor distributes tax bills. Earnings on investments increased due to general fluctuations in investments. Tuition revenue increased \$189,375 or 29.97% due to an increase in open enrollment.

The District's increase in non-instructional expenditures is a result of an increase in non-instructional rotary activities. Facilities acquisition and construction increase was due to the completion of construction in progress.

***Debt Service Fund***

The debt service fund had \$2,092,621 in revenues and other financing sources and \$1,650,479 in expenditures. During fiscal year 2018, the debt service fund's fund balance increased \$442,142.

The increase is mainly attributed to an increase in federal subsidies related to the Qualified School Construction Bonds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

***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 \$21,388,597 and 21,141,512 in the final budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2018 were \$21,670,560. This represents a \$529,048 increase over final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) of \$22,400,424 and \$22,450,959 in the final budgeted appropriations and other financing uses. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$22,167,703, which was \$283,256 less than the final budget appropriations and other financing uses.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the District had \$41,263,750 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2018 balances compared to 2017:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>
Land	\$ 1,042,402	\$ 835,287
Construction in progress	-	2,092,566
Land improvements	1,085,556	1,130,322
Building and improvements	36,824,470	35,118,242
Furniture and equipment	1,530,083	1,729,856
Vehicles	<u>781,239</u>	<u>535,157</u>
Total	<u><u>\$ 41,263,750</u></u>	<u><u>\$ 41,441,430</u></u>

Total additions to capital assets (net of construction in progress) for 2018 were \$794,185. The overall decrease in capital assets of \$380,519 is due to depreciation expense of \$939,127 and disposals of \$9,552 (net of construction in progress and accumulated depreciation) exceeding capital asset additions of \$794,185 for fiscal year 2018.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

***Debt Administration***

At June 30, 2018, the District had \$185,933 in capital lease obligations, \$503,528 in energy conservation notes, \$200,000 in promissory notes, \$2,605,000 in general obligation bonds for financing improvements to public library buildings and \$20,880,161 in school facilities construction and improvement bonds outstanding. Of this total, \$711,124 is due within one year and \$23,663,498 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2018 compared to 2017.

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2018</u>	<u>Governmental Activities 2017</u>
Capital lease obligations	\$ 185,933	\$ 292,455
Promissory note	200,000	-
Energy conservation notes	503,528	574,036
School facilities construction and improvement bonds	20,880,161	21,265,870
Library improvement bonds	<u>2,605,000</u>	<u>2,665,000</u>
Total	<u>\$ 24,374,622</u>	<u>\$ 24,797,361</u>

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

**Current Financial Related Activities**

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

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

When our annual revenue was not keeping up with annual expenditures in 2008-09, the Administration responded with a restructuring plan that included a reduction of over 40 staff members. 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, 9.5 reductions were made for the 2012-13 school year, 5.0 positions reduced for the 2013-14 school year, 4 reductions were made for the 2014-15 school year and an additional 3.5 reductions were made for the 2015-16 school year, although 3.0 classified positions were added. Due to retirement/resignations the following the District saw a reduction of 1.0 first grade teacher for the 2016-17 school year. The 2016-17 school year also saw an addition of 1.0 kindergarten teacher, 1.0 administrator (Director of Social Work & Family/Student Engagement), 1.0 Bus Aide and increased health services nurse to 7.5 hours per day and elementary secretary from 7.5 hours to 8.0. The 17-18 school year the district saw a reduction of 1.0 teacher, 2.0 HS Library Study Hall Monitor and teacher aide, 1.0 HS French teacher. FY 17-18 saw the addition of 1.0 elementary guidance and .50 bus driver.

The OSFC building projects were completely closed-out in 2016. The money from these savings are planned to be used to update the high school building. It is the intent of the administration to use the savings from the OSFC

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

building project in conjunction with annual permanent improvement funds to pay for these updates. There is no intention to proceed with another OSFC segment for the high school. Permanent improvement funds were used to repair the roof and the paving project at the high school during the 2015-2016 school year. The district completed a renovation of the High School using both the remaining funds from the OSFC project as well as permanent improvement funds. Plans for FY 18-19 include roof repair as well as gutter replacements at the High School using PI funds.

The District finalized the purchase of the Bellevue Hospital property. The purchase was finalized in August of 2017 with a promissory note for \$250,000 to be paid in \$50,000 increments each year. The initial payment was made in August 2017. The note should be paid in full August 2021.

**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 Tammy Flicker, Treasurer, Bellevue City School District, 125 North Street, Bellevue, Ohio 44811.

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

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 11,986,114
Cash and investments with escrow agent . . . . .	668,316
Receivables:	
Property taxes . . . . .	9,242,206
Income taxes. . . . .	646,546
Accrued interest . . . . .	13,353
Intergovernmental . . . . .	458,451
Prepayments . . . . .	30,452
Materials and supplies inventory. . . . .	120,866
Inventory held for resale. . . . .	31,002
Capital assets:	
Nondepreciable capital assets . . . . .	1,042,402
Depreciable capital assets, net. . . . .	40,221,348
Capital assets, net . . . . .	41,263,750
Total assets. . . . .	64,461,056
 <b>Deferred outflows of resources:</b>	
Pension. . . . .	7,303,788
OPEB. . . . .	244,862
Total deferred outflows of resources . . . . .	7,548,650
 <b>Liabilities:</b>	
Accounts payable. . . . .	25,747
Accrued wages and benefits payable . . . . .	1,868,501
Intergovernmental payable . . . . .	124,507
Pension and postemployment benefits payable. . . . .	337,096
Accrued interest payable . . . . .	87,599
Long-term liabilities:	
Due within one year. . . . .	901,190
Due in more than one year:	
Net pension liability . . . . .	25,559,083
Other amounts due in more than one year . . . . .	25,143,313
Net OPEB liability . . . . .	5,817,790
Total liabilities . . . . .	59,864,826
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	7,497,409
Pension. . . . .	913,736
OPEB. . . . .	654,038
Total deferred inflows of resources . . . . .	9,065,183
 <b>Net position:</b>	
Net investment in capital assets . . . . .	19,483,207
Restricted for:	
Capital projects . . . . .	78,067
Classroom facilities maintenance . . . . .	538,290
Debt service. . . . .	2,205,537
Locally funded programs . . . . .	19,129
State funded programs. . . . .	34,126
Federally funded programs . . . . .	11,005
Student activities . . . . .	153,148
Other purposes . . . . .	665,835
Unrestricted (deficit) . . . . .	(20,108,647)
Total net position . . . . .	\$ 3,079,697

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, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,065,060	\$ 830,431	\$ 6,403	\$ (3,228,226)
Special . . . . .	2,107,577	43,838	1,532,429	(531,310)
Vocational . . . . .	196,139	-	112,396	(83,743)
Adult/continuing. . . . .	1,889	-	-	(1,889)
Other . . . . .	1,587,616	-	-	(1,587,616)
Support services:				
Pupil. . . . .	1,057,414	-	56,228	(1,001,186)
Instructional staff . . . . .	434,011	-	7,332	(426,679)
Board of education . . . . .	35,372	-	-	(35,372)
Administration. . . . .	779,194	-	-	(779,194)
Fiscal. . . . .	376,859	-	-	(376,859)
Business. . . . .	3,777	-	-	(3,777)
Operations and maintenance . . . . .	1,572,273	14,490	-	(1,557,783)
Pupil transportation. . . . .	453,833	-	28,490	(425,343)
Central . . . . .	21,214	-	-	(21,214)
Operation of non-instructional services:				
Other non-instructional services . . . . .	181,147	98	174,820	(6,229)
Food service operations . . . . .	642,873	373,429	502,272	232,828
Extracurricular activities. . . . .	499,670	270,826	41,657	(187,187)
Interest and fiscal charges . . . . .	1,103,330	-	134,642	(968,688)
Total governmental activities . . . . .	\$ 15,119,248	\$ 1,533,112	\$ 2,596,669	(10,989,467)
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				7,720,626
Special revenue. . . . .				127,304
Debt service. . . . .				1,298,982
Capital outlay. . . . .				403,183
School district income taxes . . . . .				1,560,655
Grants and entitlements not restricted to specific programs . . . . .				10,964,414
Investment earnings . . . . .				155,769
Decrease in fair market value of investments. . . . .				(8,412)
Miscellaneous . . . . .				165,665
Total general revenues . . . . .				22,388,186
Change in net position . . . . .				11,398,719
<b>Net position (deficit) at beginning of year (restated) . . .</b>				(8,319,022)
<b>Net position at end of year . . . . .</b>				\$ 3,079,697

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 8,356,987	\$ 1,674,546	\$ 1,954,581	\$ 11,986,114
Cash with fiscal agent . . . . .	-	668,316	-	668,316
<b>Receivables:</b>				
Property taxes . . . . .	7,493,153	1,262,476	486,577	9,242,206
Income taxes . . . . .	646,546	-	-	646,546
Accrued interest . . . . .	7,580	5,773	-	13,353
Interfund loans . . . . .	374,519	-	-	374,519
Intergovernmental . . . . .	84,836	-	373,615	458,451
Prepayments . . . . .	30,452	-	-	30,452
Materials and supplies inventory . . . . .	113,750	-	7,116	120,866
Inventory held for resale . . . . .	-	-	31,002	31,002
Total assets . . . . .	<u>\$ 17,107,823</u>	<u>\$ 3,611,111</u>	<u>\$ 2,852,891</u>	<u>\$ 23,571,825</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 22,220	\$ -	\$ 3,527	\$ 25,747
Accrued wages and benefits payable . . . . .	1,693,693	-	174,808	1,868,501
Compensated absences payable . . . . .	118,670	-	4,237	122,907
Intergovernmental payable . . . . .	122,439	-	2,068	124,507
Pension and postemployment benefits payable . . . . .	303,425	-	33,671	337,096
Interfund loans payable . . . . .	-	-	374,519	374,519
Total liabilities . . . . .	<u>2,260,447</u>	<u>-</u>	<u>592,830</u>	<u>2,853,277</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	6,083,563	1,022,228	391,618	7,497,409
Delinquent property tax revenue not available . . . . .	168,466	29,046	11,402	208,914
Income tax revenue not available . . . . .	96,060	-	-	96,060
Intergovernmental revenue not available . . . . .	57,227	-	373,615	430,842
Accrued interest not available . . . . .	4,620	5,197	-	9,817
Total deferred inflows of resources . . . . .	<u>6,409,936</u>	<u>1,056,471</u>	<u>776,635</u>	<u>8,243,042</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory . . . . .	113,750	-	7,116	120,866
Prepays . . . . .	30,452	-	-	30,452
<b>Restricted:</b>				
Debt service . . . . .	-	2,554,640	-	2,554,640
Capital improvements . . . . .	-	-	66,665	66,665
Classroom facilities maintenance . . . . .	-	-	538,290	538,290
Food service operations . . . . .	-	-	671,892	671,892
Non-public schools . . . . .	-	-	28,888	28,888
Other purposes . . . . .	-	-	19,954	19,954
Extracurricular activities . . . . .	-	-	153,148	153,148
<b>Committed:</b>				
Capital improvements . . . . .	-	-	371,304	371,304
<b>Assigned:</b>				
Student instruction . . . . .	103,198	-	-	103,198
Student and staff support . . . . .	168,984	-	-	168,984
Extracurricular activities . . . . .	8	-	-	8
School supplies . . . . .	519	-	-	519
Other purposes . . . . .	18,480	-	-	18,480
Unassigned (deficit) . . . . .	<u>8,002,049</u>	<u>-</u>	<u>(373,831)</u>	<u>7,628,218</u>
Total fund balances . . . . .	<u>8,437,440</u>	<u>2,554,640</u>	<u>1,483,426</u>	<u>12,475,506</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 17,107,823</u>	<u>\$ 3,611,111</u>	<u>\$ 2,852,891</u>	<u>\$ 23,571,825</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, 2018

<b>Total governmental fund balances</b>		\$	12,475,506
<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.			41,263,750
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	208,914	
Income taxes receivable		96,060	
Accrued interest receivable		9,817	
Intergovernmental receivable		430,842	
Total		745,633	745,633
Note issuance costs are not recognized in the funds.			(200,000)
Unamortized premiums on bonds issued are not recognized in the funds.			(306,091)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(87,599)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		7,303,788	
Deferred inflows of resources - pension		(913,736)	
Net pension liability		(25,559,083)	
Total		(19,169,031)	(19,169,031)
The OPEB pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		244,862	
Deferred inflows of resources - OPEB		(654,038)	
Net OPEB liability		(5,817,790)	
Total		(6,226,966)	(6,226,966)
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		(20,880,161)	
Library improvement bonds		(2,605,000)	
Capital lease obligation		(185,933)	
Compensated absences		(1,240,883)	
Energy conservation notes		(503,528)	
Total		(25,415,505)	(25,415,505)
<b>Net position of governmental activities</b>		\$	3,079,697

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, 2018

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 7,815,597	\$ 1,315,216	\$ 537,641	\$ 9,668,454
Income taxes . . . . .	1,572,204	-	-	1,572,204
Tuition . . . . .	821,289	-	-	821,289
Earnings on investments . . . . .	141,932	11,789	2,870	156,591
Charges for services . . . . .	-	-	366,393	366,393
Extracurricular . . . . .	52,208	-	218,359	270,567
Classroom materials and fees . . . . .	52,980	-	-	52,980
Rental income . . . . .	14,490	-	-	14,490
Contributions and donations . . . . .	15,788	-	-	15,788
Other local revenues . . . . .	149,877	-	47,582	197,459
Intergovernmental - intermediate . . . . .	7,187	-	-	7,187
Intergovernmental - state . . . . .	11,131,993	162,714	198,318	11,493,025
Intergovernmental - federal . . . . .	131,711	544,970	1,058,378	1,735,059
Increase (decrease) in fair market value of investments .	6,858	(15,270)	-	(8,412)
Total revenues . . . . .	<u>21,914,114</u>	<u>2,019,419</u>	<u>2,429,541</u>	<u>26,363,074</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,084,577	-	41,056	8,125,633
Special . . . . .	2,824,491	-	743,303	3,567,794
Vocational . . . . .	423,081	-	-	423,081
Adult/continuing . . . . .	7,222	-	-	7,222
Other . . . . .	1,587,772	-	-	1,587,772
Support services:				
Pupil . . . . .	1,950,917	-	85,706	2,036,623
Instructional staff . . . . .	673,076	-	12,964	686,040
Board of education . . . . .	42,311	-	-	42,311
Administration . . . . .	1,518,604	-	-	1,518,604
Fiscal . . . . .	465,278	27,135	10,895	503,308
Business . . . . .	12,364	-	-	12,364
Operations and maintenance . . . . .	1,980,525	-	143,691	2,124,216
Pupil transportation . . . . .	1,144,050	-	-	1,144,050
Central . . . . .	50,360	-	-	50,360
Operation of non-instructional services:				
Other non-instructional services . . . . .	50,650	-	175,669	226,319
Food service operations . . . . .	-	-	843,693	843,693
Extracurricular activities . . . . .	554,757	-	244,104	798,861
Facilities acquisition and construction . . . . .	30,286	-	482,604	512,890
Debt service:				
Principal retirement . . . . .	106,522	565,508	-	672,030
Interest and fiscal charges . . . . .	12,027	1,057,836	-	1,069,863
Total expenditures . . . . .	<u>21,518,870</u>	<u>1,650,479</u>	<u>2,783,685</u>	<u>25,953,034</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>395,244</u>	<u>368,940</u>	<u>(354,144)</u>	<u>410,040</u>
<b>Other financing sources (uses):</b>				
Sale of notes . . . . .	-	-	200,000	200,000
Transfers in . . . . .	-	73,202	-	73,202
Transfers (out) . . . . .	(73,202)	-	-	(73,202)
Total other financing sources (uses) . . . . .	<u>(73,202)</u>	<u>73,202</u>	<u>200,000</u>	<u>200,000</u>
Net change in fund balances . . . . .	322,042	442,142	(154,144)	610,040
<b>Fund balances at beginning of year . . . . .</b>	8,075,465	2,112,498	1,645,912	11,833,875
<b>Increase (decrease) in reserve for inventory . . . . .</b>	39,933	-	(8,342)	31,591
<b>Fund balances at end of year . . . . .</b>	<u>\$ 8,437,440</u>	<u>\$ 2,554,640</u>	<u>\$ 1,483,426</u>	<u>\$ 12,475,506</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, 2018

<b>Net change in fund balances - total governmental funds</b>	\$	610,040
<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	\$ 794,185	
Current year depreciation	<u>(962,313)</u>	
Total		(168,128)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(9,552)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		31,591
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(118,359)	
Income taxes	(11,549)	
Earnings on investments	646	
Intergovernmental	<u>284,155</u>	
Total		154,893
Repayment of bond, note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		672,030
Issuance of notes are recorded as an other financing source in the funds; however in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position		
		(200,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	554	
Accreted interest on capital appreciation bonds	(49,291)	
Amortization of bond premiums	<u>15,270</u>	
Total		(33,467)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,597,877
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		7,932,300
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		52,726
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		850,698
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		<u>(92,289)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>11,398,719</u></b>

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, 2018

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 7,486,370	\$ 7,588,454	\$ 7,651,608	\$ 63,154
Income taxes. . . . .	1,444,588	1,483,754	1,499,354	15,600
Tuition. . . . .	584,005	590,669	821,290	230,621
Earnings on investments . . . . .	128,560	130,000	177,416	47,416
Classroom materials and fees . . . . .	42,045	42,500	56,119	13,619
Rental income . . . . .	9,882	10,000	14,490	4,490
Contributions and donations . . . . .	996	1,000	500	(500)
Other local revenues . . . . .	102,617	103,300	84,206	(19,094)
Intergovernmental - state . . . . .	11,423,603	11,024,835	11,153,994	129,159
Intergovernmental - federal . . . . .	136,931	138,000	131,711	(6,289)
<b>Total revenues . . . . .</b>	<u>21,359,597</u>	<u>21,112,512</u>	<u>21,590,688</u>	<u>478,176</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,279,178	8,128,912	7,990,756	138,156
Special. . . . .	2,855,024	2,988,907	2,996,724	(7,817)
Vocational. . . . .	443,076	435,905	430,834	5,071
Adult/continuing . . . . .	6,729	7,400	7,222	178
Other. . . . .	1,563,571	1,591,705	1,585,949	5,756
Support services:				
Pupil. . . . .	2,107,689	2,085,514	1,951,564	133,950
Instructional staff . . . . .	758,371	789,913	724,432	65,481
Board of education . . . . .	31,966	53,250	42,876	10,374
Administration. . . . .	1,523,264	1,589,019	1,540,409	48,610
Fiscal . . . . .	560,538	540,985	468,142	72,843
Business . . . . .	12,405	11,843	12,332	(489)
Operations and maintenance. . . . .	2,279,217	2,253,722	2,159,201	94,521
Pupil transportation . . . . .	1,142,898	1,109,257	1,173,727	(64,470)
Central. . . . .	51,237	48,940	50,361	(1,421)
Extracurricular activities. . . . .	585,293	613,898	555,167	58,731
Facilities acquisition and construction . . . . .	69,968	68,587	30,286	38,301
<b>Total expenditures . . . . .</b>	<u>22,270,424</u>	<u>22,317,757</u>	<u>21,719,982</u>	<u>597,775</u>
Excess of expenditures over revenues. . . . .	(910,827)	(1,205,245)	(129,294)	1,075,951
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	14,000	14,000	25,797	11,797
Transfers (out). . . . .	(75,000)	(78,202)	(73,202)	5,000
Advances in. . . . .	-	-	54,075	54,075
Advances (out) . . . . .	(55,000)	(55,000)	(374,519)	(319,519)
Sale of capital assets . . . . .	15,000	15,000	-	(15,000)
<b>Total other financing sources (uses) . . . . .</b>	<u>(101,000)</u>	<u>(104,202)</u>	<u>(367,849)</u>	<u>(263,647)</u>
Net change in fund balance . . . . .	(1,011,827)	(1,309,447)	(497,143)	812,304
<b>Fund balance at beginning of year . . . . .</b>	8,151,525	8,151,525	8,151,525	-
<b>Prior year encumbrances appropriated . . . . .</b>	420,385	420,385	420,385	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 7,560,083</u>	<u>\$ 7,262,463</u>	<u>\$ 8,074,767</u>	<u>\$ 812,304</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 12,725	\$ 88,031
Total assets. . . . .	\$ 12,725	\$ 88,031
<b>Liabilities:</b>		
Due to students. . . . .	\$ -	\$ 88,031
Total liabilities . . . . .	-	\$ 88,031
<b>Net position:</b>		
Held in trust for scholarships . . . . .	12,725	
Total net position. . . . .	\$ 12,725	

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, 2018

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 21
Gifts and contributions . . . . .	1,150
Total additions . . . . .	1,171
Change in net position . . . . .	1,171
<b>Net position at beginning of year . . . . .</b>	<b>11,554</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 12,725</b>

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, 2018**

**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 75 non-certified employees and 130 certified teaching personnel to provide services to approximately 1,964 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, 2018

**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. 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. During the fiscal year, the District paid the BACG \$40,739 for services. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 4918 Milan Rd, 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 2018, the District paid \$9,936 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, 4918 Milan Rd, Sandusky, Ohio 44870.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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 4918 Milan 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.

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.

*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 funds account for Ohio High School Athletic Association (OHSAA) events and student activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**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.

**D. Basis of Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants and 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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

For the District, see Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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 Sandusky 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 2018.
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2018. 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 2018, investments were limited to federal agency securities, U.S Treasury Bills, negotiable CD's, 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. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

For the fiscal year 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to \$141,932, which includes \$50,123 assigned from other District funds.

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

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

**G. Inventory**

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

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 acquisition value. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 70 years
Buildings and improvements	5 - 70 years
Furniture and equipment	5 - 50 years
Vehicles	6 - 20 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans to cover negative fund cash balances are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of 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, 2018, 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.



**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

*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.

**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.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**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.

**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. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

**T. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 14 to the basic financial statements, and added required supplementary information.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ (1,188,632)
Deferred outflows - payments subsequent to measurement date	51,317
Net OPEB liability	<u>(7,181,707)</u>
Restated net position at July 1, 2017	<u><u>\$ (8,319,022)</u></u>

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Vocational education enhancement	\$ 4,580
IDEA Part B	233,846
Title I	131,046
IDEA preschool	1,697
Improving teacher quality	2,662

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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 on hand**

At fiscal year end, the District had \$2,500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Cash and Investments with Escrow Agent**

At fiscal year-end, \$668,316 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.

**C. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was \$1,536,947. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, \$250,218 of the District's bank balance of \$1,652,776 was exposed to custodial risk as discussed below, while \$1,402,558 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2018, the District's financial institutions did participate in the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2018, the District had the following investments and maturities:

<u>Measurement/Investment Type</u>	<u>Measurement Amount</u>	<u>Investment Maturity</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>Greater than 24 months</u>
Fair Value:					
FFCB	\$ 151,385	\$ -	\$ -	\$ -	\$ 151,385
FHLB	331,711	140,817	-	-	190,894
FHLMC	589,169	-	-	299,203	289,966
FNMA	836,006	-	-	226,822	609,184
Commercial Paper	1,961,774	1,519,096	442,678	-	-
Negotiable CDs	875,602	247,567	-	246,632	381,403
U.S. Government Money Market	18,292	18,292	-	-	-
Amortized Cost:					
STAR Ohio	6,451,800	6,451,800	-	-	-
<b>Total</b>	<b>\$ 11,215,739</b>	<b>\$ 8,377,572</b>	<b>\$ 442,678</b>	<b>\$ 772,657</b>	<b>\$ 1,622,832</b>

The weighted average maturity of the investments is 0.78 years.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FFCB, FHLB, FHLMC, FNMA) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*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 the U.S Treasury bills were rated P-1 and A-1+ by Standard & Poor's and Moody's Investor Services, respectively. 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. The negotiable CDs were not rated and are covered by FDIC.

*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.

*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, 2018.

<u>Measurement/Investment Type</u>	<u>Measurement</u>	
	<u>Amount</u>	<u>% of Total</u>
Fair Value:		
FFCB	\$ 151,385	1.35
FHLB	331,711	2.96
FHLMC	589,169	5.25
FNMA	836,006	7.45
Commercial Paper	1,961,774	17.49
Negotiable CDs	875,602	7.81
US Government Money Market	18,292	0.16
Amortized Cost:		
STAR Ohio	6,451,800	57.52
Total	<u>\$ 11,215,739</u>	<u>100.00</u>



**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**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, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,536,947
Investments	11,215,739
Cash on hand	<u>2,500</u>
 Total	 <u><u>\$ 12,755,186</u></u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 12,654,430
Private-purpose trust fund	12,725
Agency fund	<u>88,031</u>
 Total	 <u><u>\$ 12,755,186</u></u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers to debt service fund from:</u>	
General fund	<u><u>\$ 73,202</u></u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers made in fiscal year 2018 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.

- B.** Interfund balances at June 30, 2018, as reported on the fund statements, consist of the following interfund loans receivable and payable:

<u>Interfund receivable</u>	<u>Interfund payable</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u><u>\$ 374,519</u></u>

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

The purpose of the interfund balances is to cover costs in specific funds when revenue was not received by June 30th. The interfund balance will be repaid once the anticipated revenues are received and is expected to be repaid within one year.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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 Counties by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$1,241,124 in the general fund, \$211,202 in the debt service fund and \$83,557 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$1,077,138 in the general fund, \$183,877 in the debt service fund and \$76,520 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, 2018 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, 2018

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 285,566,430	96.04	\$ 282,900,790	95.67
Public utility personal	11,769,390	3.96	12,797,230	4.33
Total	<u>\$ 297,335,820</u>	<u>100.00</u>	<u>\$ 295,698,020</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$41.55		\$41.60	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The District maintains a five year .5% income tax through December 31, 2021 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 2018 was \$1,572,204.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2018 consisted of property taxes, income taxes, 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	\$ 9,242,206
Income taxes	646,546
Accrued interest	13,353
Intergovernmental	<u>458,451</u>
Total	<u>\$ 10,360,556</u>

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

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/18</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 835,287	\$ 207,115	\$ -	\$ 1,042,402
Construction in progress	2,092,566	226,025	(2,318,591)	-
Total capital assets, not being depreciated	<u>2,927,853</u>	<u>433,140</u>	<u>(2,318,591)</u>	<u>1,042,402</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,873,980	-	-	1,873,980
Buildings and improvements	40,084,703	2,361,476	-	42,446,179
Furniture and equipment	3,483,597	-	-	3,483,597
Vehicles	1,771,577	318,160	(139,278)	1,950,459
Total capital assets, being depreciated	<u>47,213,857</u>	<u>2,679,636</u>	<u>(139,278)</u>	<u>49,754,215</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(743,658)	(44,766)	-	(788,424)
Buildings and improvements	(4,966,461)	(655,248)	-	(5,621,709)
Furniture and equipment	(1,753,741)	(199,773)	-	(1,953,514)
Vehicles	(1,236,420)	(62,526)	129,726	(1,169,220)
Total accumulated depreciation	<u>(8,700,280)</u>	<u>(962,313)</u>	<u>129,726</u>	<u>(9,532,867)</u>
Governmental activities capital assets, net	<u>\$ 41,441,430</u>	<u>\$ 2,150,463</u>	<u>\$ (2,328,143)</u>	<u>\$ 41,263,750</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 601,929
Special	34,684
Other	7,478

Support services:

Instructional staff	24,607
Administration	14,345
Operations and maintenance	115,951
Pupil transportation	66,620
Central	1,547
Extracurricular activities	64,819
Food service operations	30,333
Total depreciation expense	<u>\$ 962,313</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 \$943,951. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2018 was \$806,240, leaving a current book value of \$137,711. A corresponding liability was recorded in the government-wide statement of net position. Principal payments in the 2018 fiscal year was \$106,522 paid by the general 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, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 77,965
2020	77,964
2021	<u>42,500</u>
Total minimum lease payments	198,429
Less: amount representing interest	<u>(12,496)</u>
Total	<u><u>\$ 185,933</u></u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2018, the following changes occurred in the governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	<u>Restated Balance 06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/18</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>					
Library improvement bonds	\$ 2,665,000	\$ -	\$ (60,000)	\$ 2,605,000	\$ 65,000
Energy conservation notes	574,036	-	(70,508)	503,528	70,861
Promissory note	-	200,000	-	200,000	50,000
General obligation bonds:					
Series 2010A	7,490,000	-	(350,000)	7,140,000	355,000
Series 2010B and C	13,775,870	49,291	(85,000)	13,740,161	100,000
Capital lease obligation	292,455	-	(106,522)	185,933	70,263
Net OPEB liability	7,181,707	-	(1,363,917)	5,817,790	-
Net pension liability	34,968,678	-	(9,409,595)	25,559,083	-
Compensated absences	1,396,771	281,067	(314,047)	1,363,790	190,066
Total long-term obligations	<u>\$ 68,344,517</u>	<u>\$ 530,358</u>	<u>\$ (11,759,589)</u>	<u>57,115,285</u>	<u>\$ 901,190</u>
Add: unamortized premium				306,091	
Total on statement of net position				<u><u>\$ 57,421,376</u></u>	

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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.

Net pension liability - See Note 13 for more information on net pension liability. The School District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB liability - See Note 14 for more information on net pension liability. The School District pays obligations related to employee compensation from the fund benefitting from their service.

- 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 are 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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Ending June 30, 2019	\$ 70,861	\$ 2,340	\$ 73,201
2020	71,215	1,985	73,200
2021	71,571	1,628	73,199
2022	71,929	1,270	73,199
2023	72,289	909	73,198
2024 - 2025	145,663	729	146,392
Total	<u>\$ 503,528</u>	<u>\$ 8,861</u>	<u>\$ 512,389</u>

- D. 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 2014 QSCBs:

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FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>
Current interest bonds - 2010A serial	\$ 7,490,000	-	\$ (350,000)	\$ 7,140,000

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 2018, the District made \$107,476 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 \$668,316 is reported as “cash and investments with escrow agent”.

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

<u>Fiscal Year</u>	<u>Sinking Fund Required Deposit</u>
2019	\$ 115,583
2020	131,291
2021	144,448
2022	158,508
2023	177,556
2024 - 2027	633,877
Total	\$ 1,361,263

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

<u>Fiscal Year Ending June 30,</u>	<u>Current Interest Bonds - Series 2010A - Term Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 45,000	\$ 45,000
2020	-	45,000	45,000
2021	-	45,000	45,000
2022	-	45,000	45,000
2023	-	45,000	45,000
2024 - 2027	3,000,000	157,500	3,157,500
Total	\$ 3,000,000	\$ 382,500	\$ 3,382,500

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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
2019	\$ 355,000	\$ 59,437	\$ 414,437
2020	400,000	53,775	453,775
2021	430,000	47,550	477,550
2022	445,000	40,987	485,987
2023	475,000	34,088	509,088
2024 - 2027	2,035,000	59,738	2,094,738
Total	<u>\$ 4,140,000</u>	<u>\$ 295,575</u>	<u>\$ 4,435,575</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. The accreted interest at June 30, 2018 was \$295,170.

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.

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 June 30, 2017	Additions	Reductions	Balance June 30, 2018
Current interest bonds -				
2010B serial	\$ 85,000	\$ -	\$ (85,000)	\$ -
2010C BABs	13,195,000	-	-	13,195,000
Capital appreciation bonds -				
2010B	249,991	-	-	249,991
Capital appreciation bonds -				
Accreted interest	245,879	49,291	-	295,170
Total	<u>\$ 13,775,870</u>	<u>\$ 49,291</u>	<u>\$ (85,000)</u>	<u>\$ 13,740,161</u>



**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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
2019	\$ 100,000	\$ 823,977	\$ 923,977	\$ -	\$ -	\$ -
2020	105,000	819,006	924,006	-	-	-
2021	90,000	814,277	904,277	-	-	-
2022	85,000	809,736	894,736	-	-	-
2023	95,000	804,741	899,741	-	-	-
2024-2028	1,280,000	3,899,076	5,179,076	249,991	1,240,009	1,490,000
2029-2033	4,065,000	3,177,346	7,242,346	-	-	-
2034-2038	7,375,000	1,242,619	8,617,619	-	-	-
Total	<u>\$ 13,195,000</u>	<u>\$ 12,390,778</u>	<u>\$ 25,585,778</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 \$2,665,000 is 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.

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
2019	\$ 65,000	\$ 115,148	\$ 180,148
2020	65,000	112,348	177,348
2021	70,000	109,445	179,445
2022	75,000	106,323	181,323
2023	75,000	103,113	178,113
2024-2028	435,000	462,458	897,458
2029-2033	525,000	360,188	885,188
2034-2038	655,000	229,943	884,943
2039-2042	640,000	61,805	701,805
Total	<u>\$ 2,605,000</u>	<u>\$ 1,660,771</u>	<u>\$ 4,265,771</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

- F. 2018 Promissory Note-** In fiscal year 2018, the District entered into a \$200,000 promissory note payable to finance the purchase of the Bellevue hospital. The cost of the property was \$250,000. The District made a \$50,000 payment at closing. The promissory note bears no interest rate and will mature in the year 2022. The source of revenue to retire the promissory note is derived from voted property tax levies recorded in the permanent improvement fund.

The following is a summary of the future debt service requirements to maturity for the promissory note:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Promissory Note</u>	
	<u>Principal</u>	<u>Total</u>
2019	\$ 50,000	\$ 50,000
2020	50,000	50,000
2021	50,000	50,000
2022	50,000	50,000
Total	\$ 200,000	\$ 200,000

**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, 2018, are a voted debt margin of \$5,977,471 including available funds of \$2,554,640 and an unvoted debt margin of \$295,698.

**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:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

<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	91,630,846	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 7/1/16 and 6/30/17. 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.

**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.

**BELLEVUE CITY SCHOOL DISTRICT  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

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 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$413,125 for fiscal year 2018. Of this amount, \$38,479 is reported as pension and postemployment benefits payable.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,184,752 for fiscal year 2018. Of this amount, \$244,120 is reported as pension and postemployment benefits payable.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.09251610%	0.08423906%	
Proportion of the net pension liability current measurement date	<u>0.09302670%</u>	<u>0.08419601%</u>	
Change in proportionate share	<u>0.00051060%</u>	<u>-0.00004305%</u>	
Proportionate share of the net pension liability	\$ 5,558,140	\$ 20,000,943	\$ 25,559,083
Pension expense	\$ (220,366)	\$ (7,734,752)	\$ (7,955,118)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 239,203	\$ 772,339	\$ 1,011,542
Changes of assumptions	287,416	4,374,426	4,661,842
Difference between District contributions and proportionate share of contributions/ change in proportionate share	27,751	4,776	32,527
District contributions subsequent to the measurement date	<u>413,125</u>	<u>1,184,752</u>	<u>1,597,877</u>
Total deferred outflows of resources	<u>\$ 967,495</u>	<u>\$ 6,336,293</u>	<u>\$ 7,303,788</u>

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 161,200	\$ 161,200
Net difference between projected and actual earnings on pension plan investments	26,381	660,054	686,435
Difference between District contributions and proportionate share of contributions/change in proportionate share	14,697	51,404	66,101
Total deferred inflows of resources	<u>\$ 41,078</u>	<u>\$ 872,658</u>	<u>\$ 913,736</u>

\$1,597,877 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 213,772	\$ 886,590	\$ 1,100,362
2020	339,623	1,784,490	2,124,113
2021	89,467	1,261,855	1,351,322
2022	<u>(129,570)</u>	<u>345,948</u>	<u>216,378</u>
Total	<u>\$ 513,292</u>	<u>\$ 4,278,883</u>	<u>\$ 4,792,175</u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 7,713,254	\$ 5,558,140	\$ 3,752,792

**Actuarial Assumptions - STRS Ohio**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 28,670,671	\$ 20,000,943	\$ 12,697,996

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability*

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$53,072.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$52,726 for fiscal year 2018. Of this amount, \$54,497 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.09390289%	0.08423906%	
Proportion of the net OPEB liability current measurement date	<u>0.09437480%</u>	<u>0.08419601%</u>	
Change in proportionate share	<u>0.00047191%</u>	<u>-0.00004305%</u>	
Proportionate share of the net OPEB liability	\$ 2,532,772	\$ 3,285,018	\$ 5,817,790
OPEB expense	\$ 152,041	\$ (1,002,739)	\$ (850,698)

**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 189,632	\$ 189,632
Difference between District contributions and proportionate share of contributions/change in proportionate share	2,504	-	2,504
District contributions subsequent to the measurement date	52,726	-	52,726
Total deferred outflows of resources	<u>\$ 55,230</u>	<u>\$ 189,632</u>	<u>\$ 244,862</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 6,689	\$ 140,410	\$ 147,099
Changes of assumptions	240,347	264,619	504,966
Difference between District contributions and proportionate share of contributions/change in proportionate share	-	1,973	1,973
Total deferred inflows of resources	<u>\$ 247,036</u>	<u>\$ 407,002</u>	<u>\$ 654,038</u>

\$52,726 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ (87,847)	\$ (47,929)	\$ (135,776)
2020	(87,847)	(47,929)	(135,776)
2021	(67,165)	(47,929)	(115,094)
2022	(1,673)	(47,929)	(49,602)
2023		(12,829)	(12,829)
Thereafter		(12,825)	(12,825)
Total	<u>\$ (244,532)</u>	<u>\$ (217,370)</u>	<u>\$ (461,902)</u>



**BELLEVUE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates* - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 3,058,644	\$ 2,532,772	\$ 2,116,146

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 2,055,154	\$ 2,532,772	\$ 3,164,906

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 4,410,083	\$ 3,285,018	\$ 2,395,848
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,282,289	\$ 3,285,018	\$ 4,604,725

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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).

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	\$ (497,143)
Net adjustment for revenue accruals	186,076
Net adjustment for expenditure accruals	101,963
Net adjustment for other sources/uses	294,647
Funds budgeted elsewhere	(6,473)
Adjustment for encumbrances	242,972
GAAP basis	\$ 322,042

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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.

**C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. Additional full-time equivalent adjustments for fiscal year 2018 have resulted in the District being owed an immaterial amount from the Ohio Department of Education at June 30, 2018.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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, 2017	\$ -
Current year set-aside requirement	353,651
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	<u>(589,373)</u>
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u><u>\$ (235,722)</u></u>
Balance carried forward to fiscal year 2019	<u><u>\$ -</u></u>
Set-aside balance June 30, 2018	<u><u>\$ -</u></u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirements for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**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	\$ 216,435
Other governmental	<u>368,311</u>
Total	<u><u>\$ 584,746</u></u>



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.09302670%	0.09251610%	0.09349540%	0.09313500%	0.09313500%
District's proportionate share of the net pension liability	\$ 5,558,140	\$ 6,771,325	\$ 5,334,938	\$ 4,713,509	\$ 5,538,440
District's covered payroll	\$ 3,092,750	\$ 2,906,271	\$ 2,814,697	\$ 2,706,328	\$ 2,734,176
District's proportionate share of the net pension liability as a percentage of its covered payroll	179.72%	232.99%	189.54%	174.17%	202.56%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.08419601%	0.08423906%	0.08411520%	0.08449167%	0.08449167%
District's proportionate share of the net pension liability	\$ 20,000,943	\$ 28,197,353	\$ 23,246,981	\$ 20,551,298	\$ 24,480,572
District's covered payroll	\$ 9,295,943	\$ 8,866,579	\$ 8,985,729	\$ 8,632,715	\$ 8,762,092
District's proportionate share of the net pension liability as a percentage of its covered payroll	215.16%	318.02%	258.71%	238.06%	279.39%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 413,125	\$ 432,985	\$ 406,878	\$ 370,977
Contributions in relation to the contractually required contribution	<u>(413,125)</u>	<u>(432,985)</u>	<u>(406,878)</u>	<u>(370,977)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,060,185	\$ 3,092,750	\$ 2,906,271	\$ 2,814,697
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 375,097	\$ 378,410	\$ 377,214	\$ 354,568	\$ 369,464	\$ 287,020
<u>(375,097)</u>	<u>(378,410)</u>	<u>(377,214)</u>	<u>(354,568)</u>	<u>(369,464)</u>	<u>(287,020)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,706,328	\$ 2,734,176	\$ 2,804,565	\$ 2,820,748	\$ 2,728,685	\$ 2,916,870
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,184,752	\$ 1,301,432	\$ 1,241,321	\$ 1,258,002
Contributions in relation to the contractually required contribution	<u>(1,184,752)</u>	<u>(1,301,432)</u>	<u>(1,241,321)</u>	<u>(1,258,002)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,462,514	\$ 9,295,943	\$ 8,866,579	\$ 8,985,729
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 1,122,253	\$ 1,139,072	\$ 1,175,337	\$ 1,198,704	\$ 1,170,959	\$ 1,258,645
<u>(1,122,253)</u>	<u>(1,139,072)</u>	<u>(1,175,337)</u>	<u>(1,198,704)</u>	<u>(1,170,959)</u>	<u>(1,258,645)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,632,715	\$ 8,762,092	\$ 9,041,054	\$ 9,220,800	\$ 9,007,377	\$ 9,681,885
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.09437480%	0.09390289%
District's proportionate share of the net OPEB liability	\$ 2,532,772	\$ 2,676,580
District's covered payroll	\$ 2,906,271	\$ 2,906,271
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	87.15%	92.10%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.08419601%	0.08423906%
District's proportionate share of the net OPEB liability	\$ 3,285,018	\$ 4,505,127
District's covered payroll	\$ 8,866,579	\$ 8,866,579
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.05%	50.81%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 52,726	\$ 51,317	\$ 48,150	\$ 70,381
Contributions in relation to the contractually required contribution	<u>(52,726)</u>	<u>(51,317)</u>	<u>(48,150)</u>	<u>(70,381)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,060,185	\$ 3,092,750	\$ 2,906,271	\$ 2,814,697
Contributions as a percentage of covered payroll	2.24%	1.77%	1.66%	2.33%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 51,595	\$ 46,429	\$ 57,239	\$ 96,463	\$ 56,322	\$ 163,011
<u>(51,595)</u>	<u>(46,429)</u>	<u>(57,239)</u>	<u>(96,463)</u>	<u>(56,322)</u>	<u>(163,011)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,706,328	\$ 2,734,176	\$ 2,804,565	\$ 2,820,748	\$ 2,728,685	\$ 2,916,870
1.61%	0.16%	0.53%	3.55%	2.17%	6.61%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,462,514	\$ 9,295,943	\$ 8,866,579	\$ 8,985,729
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 88,560	\$ 87,621	\$ 90,411	\$ 92,208	\$ 90,074	\$ 96,819
<u>(88,560)</u>	<u>(87,621)</u>	<u>(90,411)</u>	<u>(92,208)</u>	<u>(90,074)</u>	<u>(96,819)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,632,715	\$ 8,762,092	\$ 9,041,054	\$ 9,220,800	\$ 9,007,377	\$ 9,681,885
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**BELLEVUE CITY SCHOOL DISTRICT  
HURON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>Passed Through Ohio Department of Education</b>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$71,978
National School Lunch Program		
Non-Cash Assistance (Food Distribution)	10.555	72,902
Cash Assistance	10.555	349,983
Total National School Lunch Program		<u>422,885</u>
Total Child Nutrition Cluster		<u>494,863</u>
Total U.S. Department of Agriculture		<u>494,863</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b>Passed Through Ohio Department of Education</b>		
<u>Special Education Cluster (IDEA):</u>		
Special Education - Grants to States	84.027	470,473
Special Education - Preschool Grants	84.173	9,634
Total Special Education Cluster (IDEA)		<u>480,107</u>
Title I Grants to Local Educational Agencies	84.010	312,541
Improving Teacher Quality State Grants	84.367	22,845
Student Support and Academic Enrichment Program	84.424	712
Total U.S. Department of Education		<u>816,205</u>
<b>Total Expenditures of Federal Awards</b>		<b><u><u>\$1,311,068</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**BELLEVUE CITY SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Bellevue City School District (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – 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 E – 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.





**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

***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*.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

March 13, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 Each 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) *Compliance Supplement* that could directly and materially affect each of Bellevue City School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

***Management's Responsibility***

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Basis for Qualified Opinion on Special Education Cluster (IDEA)***

As described in finding 2018-002 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its Special Education Cluster (IDEA) major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

***Qualified Opinion on Special Education Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Special Education Cluster (IDEA)* paragraph, Bellevue City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster (IDEA) for the year ended June 30, 2018.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Bellevue City School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2018.

***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 the Uniform Guidance, 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2018-002.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

March 13, 2019

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**BELLEVUE CITY SCHOOL DISTRICT  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified for all major programs except for the Special Education Cluster, which we qualified.
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster Special Education Cluster (IDEA)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**FINDING NUMBER 2018-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors requiring adjustment to the basic financial statements and / or notes to the basic financial statements were identified for the year ended June 30, 2018:

- Governmental activities deferred inflows of resources – pension was overstated in the amount of \$1,075,266, deferred outflows of resources – pension was understated in the amount of \$6,204, and pension expense was overstated and unrestricted net position was understated in the amount of \$1,081,470 (functional allocations on the Statement of Activities ranged from \$553 to \$484,364); and
- Debt service fund intergovernmental – federal revenue and interest and fiscal charges expenditures were understated in the amount of \$134,642.

These errors were not identified and corrected prior to the District preparing its basic financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The failure to adequately monitor financial statements could allow for misstatements to occur and go undetected. The accompanying basic financial statements and notes to the basic financial statements have been adjusted to reflect this change. Additional errors in smaller relative amounts were also noted for the fiscal year ended June 30, 2018.

To help ensure the District's basic financial statements and notes to the basic financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the basic financial statements and notes to the basic financial statements by the Treasurer, to help identify and correct errors and omissions.

**Officials' Response:**

The posting of the IRS subsidy as a reduction of expenditures has been resolved and moving forward in FY19 those funds are now correctly being posted as receipts. The Treasurer will also ensure proper classification and recording of transactions. The Bellevue City School District will also be requesting to meet periodically with the GAAP compilers to ensure that all of the information that they are reporting is accurate and also to have an adequate amount of time to review final drafts.



**3. FINDING FOR FEDERAL AWARDS**

<b>Finding Number</b>	2018-002		
<b>CFDA Title and Number</b>	Special Education Cluster (IDEA)		
<b>Federal Award Identification Number / Year</b>	2018		
<b>Federal Agency</b>	U.S. Department of Education		
<b>Compliance Requirement</b>	Cash Management		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	N/A

**Noncompliance Citation and Material Weakness – Cash Management**

Under the authority of **2 CFR § 3474.1** and except as otherwise provided by this section, the Department of Education adopted the Office of Management and Budget (OMB) Guidance in **2 CFR part 200**. Thus, this part gives regulatory effect to the OMB guidance and supplements the guidance as needed for the Department. **2 CFR § 200.305(b)** provides, in part, that for non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

**2 CFR § 200.305(b)(1)** states the non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this Part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.

**2 CFR § 200.305(b)(2)(ii)** states that Non-Federal entities must be authorized to submit requests for advance payments and reimbursements at least monthly when electronic fund transfers are not used, and as often as they like when electronic transfers are used, in accordance with the provisions of the Electronic Fund Transfer Act (15 U.S.C. 1693-1693r).

The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity. Therefore, when requesting advance funds, non-Federal entities must now liquidate cash advances within five business days after receiving the funds. To help prevent districts from running a deficit in funds due to the five-day liquidation rule and to also comply with Uniform Guidance, multiple advances can now be requested in a one month period.

Advances should only be requested to cover expenses that are ready to be paid. Advances can be requested to cover payroll expenses and invoices that have been received and will be paid within five business days of receiving grant funds, according to requirements established by the Ohio Department of Education (ODE). Advances should not be requested for encumbrances in which services and invoices have not been received unless it is certain the invoice will be received and paid within these established guidelines.

**FINDING NUMBER 2018-001  
(CONTINUED)**

None of the four advance payments tested for the Special Education Cluster were liquidated in a timely manner. The time between receipt and liquidation ranged from seven to eighty business days, which exceed the five-day requirement. This noncompliance occurred due to deficiencies in monitoring compliance with the five-day liquidation period.

The District should implement procedures to verify that all receipts of federal monies are expended within the required time frame as outlined in the grant agreement. Failure to do so could result in noncompliance with Federal grant agreements, an excess accumulation of funds in which interest could be earned and potentially exceed \$500, and loss of future grant funding.

**Officials' Response:**

The Bellevue City Schools has put a plan in place for requesting grant monies in a non advance mode to ensure they are properly expended within the five day time frame. The funds acquired last year were requested inadvertently during the advance time frame resulting in this error.



**BELLEVUE CITY SCHOOL DISTRICT  
 HURON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 2 CFR 200.511(b)  
 JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2018-001 in this report.	<p>One error identified in Finding 2017-001 was corrected during the current audit period. However, an error previously included in Finding 2017-001 as well as an additional error not previously reported as part of Finding 2017-001 were found during the current audit due to deficiencies in the District's internal controls over financial statement monitoring.</p> <p>The Treasurer has been in contact with the GAAP compilers to ensure the methods of reporting are discussed in a timely manner this year as to not miss any information. The district will work closely with the GAAP compilers for the 2019 process and set up a time to review as the report is compiled. The IRS subsidy that was previously recorded as a reduction of expenditure is now recorded as a receipt and the treasurer will ensure that these monies are properly recorded as they are received.</p>



Bellevue City Schools

125 North Street  
P.O. Box 8003  
Bellevue, OH 44811

419.484.5000  
fax 419.483.0723

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Treasurer has been in contact with the GAAP compilers to ensure the methods of reporting are discussed in a timely manner this year as to not miss any information. The district will work closely with the GAAP compilers for the 2019 process and set up a time to review as the report is compiled. The IRS subsidy that was previously recorded as a reduction of expenditure is now recorded as a receipt and the treasurer will ensure that these monies are properly recorded as they are received.	March 13, 2019	Tammy Flicker, Treasurer
2018-002	The Treasurer has implemented a process to ensure all grant funding request are cleared within the five-day requirement. The treasurer has also enrolled in a grant funding class offered by the state prior to the audit to ensure a better understanding of the process of allocation of grants, FER reports and PCR requests. All funds are currently being monitored monthly to ensure they are expended properly.	March 13, 2019	Tammy Flicker, Treasurer

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
MARCH 28, 2019**