



Dave Yost • Auditor of State

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue City School District, Huron County, Ohio, as of June 30, 2013, 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 the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. 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*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$243,632 which represents a 0.87% decrease from 2012 as restated in Note 3.A.
- General revenues accounted for \$19,306,202 in revenue or 82.02% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,232,690 or 17.98% of total revenues of \$23,538,892.
- The District had \$23,782,524 in expenses related to governmental activities; only \$4,232,690 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,306,202 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, the debt service fund and the classroom facilities fund. The general fund had \$19,330,489 in revenues and other financing sources and \$18,569,671 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance increased \$758,380 from a fund balance of \$4,493,893 to \$5,252,273.
- The debt service fund had \$1,631,744 in revenues and other financing sources and \$1,416,045 in expenditures. During fiscal year 2013, the debt service fund's fund balance increased \$215,699.
- The classroom facilities fund had \$349,515 in revenues and \$5,378,204 in expenditures. During fiscal year 2013, the classroom facilities fund's fund balance decreased \$5,028,689.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012. Amounts at June 30, 2012 have been restated as described in Note 3.A.

	Net Position	
	Governmental Activities 2013	Restated Governmental Activities 2012
<u>Assets</u>		
Current and other assets	\$ 22,291,747	\$ 30,475,090
Capital assets, net	<u>41,091,269</u>	<u>36,813,327</u>
Total assets	<u>63,383,016</u>	<u>67,288,417</u>
<u>Liabilities</u>		
Current liabilities	3,026,814	6,449,828
Long-term liabilities	<u>26,011,000</u>	<u>26,194,687</u>
Total liabilities	<u>29,037,814</u>	<u>32,644,515</u>
<u>Deferred inflows of resources</u>		
Deferred inflows of resources	<u>6,460,196</u>	<u>6,515,264</u>
<u>Net Position</u>		
Net investment in capital assets	20,592,686	21,192,876
Restricted	2,345,730	2,897,548
Unrestricted	<u>4,946,590</u>	<u>4,038,214</u>
Total net position	<u>\$ 27,885,006</u>	<u>\$ 28,128,638</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities and deferred inflows of resources by \$27,885,006.

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

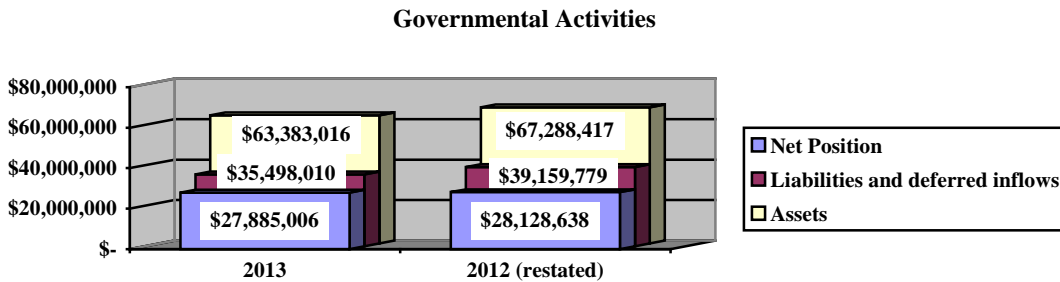
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

At year-end, capital assets represented 64.83% 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, 2013, was \$20,592,686. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,345,730, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$4,946,590 may be used to meet the District's ongoing obligations to the students and creditors.

The change in current and capital assets can be explained by the district finishing up the building of new school buildings. This decreased the District's equity in pooled cash and investments and increased capital assets. This situation can also explain the decrease in current liabilities as the District decreases its contracts payable.

The graph below presents the District's governmental activities assets, liabilities, deferred inflows of resources and net position at June 30, 2013 and June 30, 2012. Amounts at June 30, 2012 have been restated as described in Note 3.A.



The table below shows the change in net positions for fiscal year 2013 and 2012. Net position at June 30, 2012 has been restated as described in Note 3.A.

Change in Net Position

	Governmental Activities 2013	Restated Governmental Activities 2012
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,269,638	\$ 1,154,478
Operating grants and contributions	2,963,052	2,898,050
General revenues:		
Property taxes	8,291,204	7,180,989
School district income taxes	1,328,225	1,372,892
Grants and entitlements	9,551,938	9,923,088
Decrease in FMV of investments	(17,127)	-
Investment earnings	37,210	55,301
Other	114,752	133,757
Total revenues	\$ 23,538,892	\$ 22,718,555

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2013</u>	<u>2012</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,710,364	\$ 7,292,651
Special	3,262,351	3,163,932
Vocational	468,797	388,565
Adult/continuing	10,582	10,119
Other	1,208,512	1,065,961
Support services:		
Pupil	1,228,824	1,101,146
Instructional staff	1,151,213	1,123,274
Board of education	21,031	21,706
Administration	1,546,916	1,478,094
Fiscal	622,308	549,590
Business	7,067	11,435
Operations and maintenance	2,750,721	1,759,512
Pupil transportation	1,038,655	1,105,971
Central	71,822	66,248
Operations of non-instructional services:		
Other non-instructional services	161,294	170,701
Food service operations	824,040	890,420
Extracurricular activities	687,755	546,571
Interest and fiscal charges	<u>1,010,272</u>	<u>1,348,334</u>
Total expenses	<u>23,782,524</u>	<u>22,094,230</u>
Change in net position	(243,632)	624,325
Net position at beginning of year (restated)	<u>28,128,638</u>	<u>27,504,313</u>
Net position at end of year	<u>\$ 27,885,006</u>	<u>\$ 28,128,638</u>

Governmental Activities

Net position of the District's governmental activities decreased \$243,632. Total governmental expenses of \$23,782,524, were offset by program revenues of \$4,232,690 and general revenues of \$19,306,202. Program revenues supported 17.80% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 81.45% of total governmental revenue. 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, 2013, 2012 and 2011 were \$1,626,724, \$1,378,485 and \$2,083,749 respectively. The amount of tax advance available at year end can vary depending on when the County Auditor distributes tax bills. Earnings on investments decreased due to a decrease in amounts invested by the District.

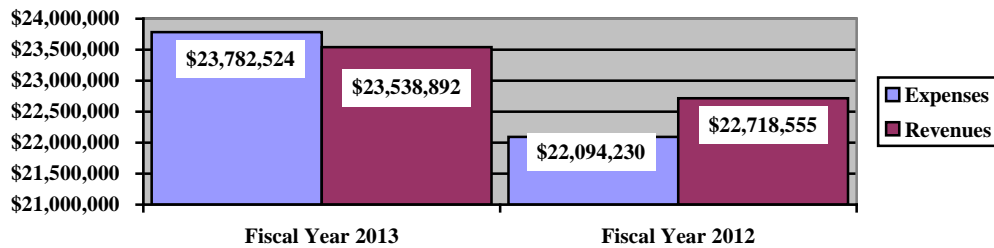
**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The decrease in interest and fiscal charges is due to bond issuance costs no longer being amortized. General increases in operations and maintenance and most expenses are due to noncapitalized asset additions that occurred during the District's construction projects.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2013 and 2012. Revenues at June 30, 2012 have been restated as described in Note 3.A.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2013 compared to fiscal year 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

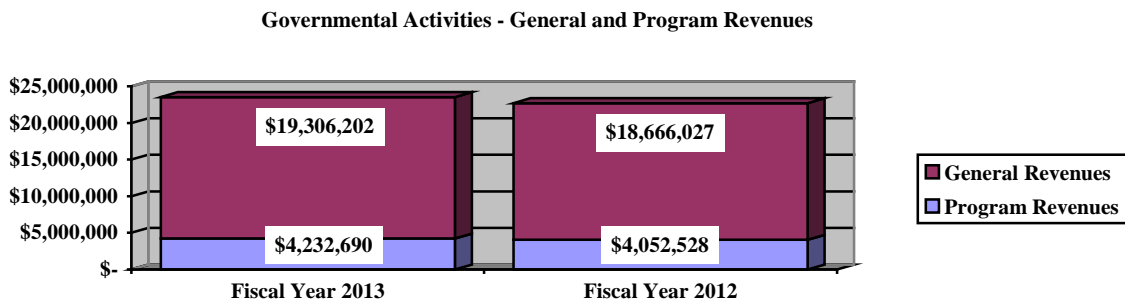
**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Restated Total Cost of Services	Restated Net Cost of Services
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
Program expenses				
Instruction:				
Regular	\$ 7,710,364	\$ 7,022,765	\$ 7,292,651	\$ 6,713,566
Special	3,262,351	1,614,048	3,163,932	1,661,635
Vocational	468,797	360,790	388,565	280,558
Adult/continuing	10,582	10,582	10,119	10,119
Other	1,208,512	1,200,173	1,065,961	1,061,477
Support services:				
Pupil	1,228,824	1,149,520	1,101,146	1,024,150
Instructional staff	1,151,213	1,049,171	1,123,274	1,023,639
Board of education	21,031	21,031	21,706	21,706
Administration	1,546,916	1,537,719	1,478,094	1,470,146
Fiscal	622,308	622,308	549,590	549,590
Business	7,067	7,067	11,435	11,435
Operations and maintenance	2,750,721	2,721,115	1,759,512	1,752,215
Pupil transportation	1,038,655	1,012,997	1,105,971	1,082,537
Central	71,822	71,822	66,248	66,197
Operations of non-instructional services:				
Other non-instructional services	161,294	14,473	170,701	20,063
Food service operations	824,040	(7,007)	890,420	(23,226)
Extracurricular activities	687,755	407,646	546,571	256,802
Interest and fiscal charges	<u>1,010,272</u>	<u>733,614</u>	<u>1,348,334</u>	<u>1,059,093</u>
Total expenses	\$ 23,782,524	\$ 19,549,834	\$ 22,094,230	\$ 18,041,702

The dependence upon tax and other general revenues for governmental activities is apparent, 80.63% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.20%. The District's taxpayers and grants and entitlements from the State of Ohio, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2013 and 2012.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$11,545,665, which is lower than last year's balance of \$15,853,864. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Increase/</u> <u>(Decrease)</u>
General	\$ 5,252,273	\$ 4,493,893	\$ 758,380
Debt Service	1,397,432	1,181,733	215,699
Classroom Facilities	3,582,542	8,611,231	(5,028,689)
Other Governmental	<u>1,313,418</u>	<u>1,567,007</u>	<u>(253,589)</u>
Total	<u>\$ 11,545,665</u>	<u>\$ 15,853,864</u>	<u>\$ (4,308,199)</u>

General Fund

The District's general fund balance increased \$758,530. The increase in fund balance can be attributed to revenues exceeding expenditures during the year.

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,021,828	\$ 7,158,995	12.05 %
Tuition	454,028	305,982	48.38 %
Earnings on investments	24,149	21,817	10.69 %
Intergovernmental	10,253,905	10,595,973	(3.23) %
Other revenues	<u>316,218</u>	<u>319,993</u>	(1.18) %
Total	<u>\$ 19,070,128</u>	<u>\$ 18,402,760</u>	3.63 %
<u>Expenditures</u>			
Instruction	\$ 10,866,186	\$ 10,912,791	(0.43) %
Support services	6,737,981	6,614,771	1.86 %
Operation of non-instructional services	26,461	20,845	26.94 %
Extracurricular activities	515,091	481,980	6.87 %
Capital outlay	260,231	171,298	51.92 %
Debt service	<u>87,465</u>	<u>87,243</u>	0.25 %
Total	<u>\$ 18,493,415</u>	<u>\$ 18,288,928</u>	1.12 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

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, 2013, 2012 and 2011 were \$1,303,377, \$1,110,252 and \$1,675,349 respectively. The amount of tax advance available at year end can vary depending on when the County Auditor distributes tax bills. Tuition revenues increased due to an increase in open enrollment. Earnings on investments increased due to general fluctuations in investments.

Expenditures related to operation of non-instructional services increased due to an increase in supplies purchased during fiscal year 2013. During the current fiscal year the District's capital outlay expenditures increased \$88,933 due to the addition of new capital leases.

Debt Service Fund

The debt service fund had \$1,631,744 in revenues and other financing sources and \$1,416,045 in expenditures. During fiscal year 2013, the debt service fund's fund balance, increased \$215,699.

Classroom Facilities Fund

The classroom facilities fund had \$349,515 in revenues and \$5,378,204 in expenditures. During fiscal year 2013, the classroom facilities fund's fund balance, decreased \$5,028,689. The large decrease in the classroom facilities fund of \$5,028,689 is due to the district's large construction project expenses.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources were \$18,720,215 remained the same in the final budgeted revenues. Actual revenues and other financing sources for fiscal year 2013 were \$18,927,139. This represents a \$206,924 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$20,052,640 remained the same in the final budgeted appropriations. The actual budget basis expenditures for fiscal year 2013 totaled \$18,835,949, which was \$1,216,691 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$41,091,269 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The following table shows fiscal year 2013 balances compared to 2012:

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

	Governmental Activities	
	2013	2012
Land	\$ 1,184,174	\$ 1,090,200
Construction in progress	34,432,074	29,967,341
Land improvements	385,964	381,658
Building and improvements	2,808,426	3,337,545
Furniture and equipment	1,623,568	1,298,863
Vehicles	657,063	737,720
Total	\$ 41,091,269	\$ 36,813,327

Total additions to capital assets for 2013 were \$5,614,513. The overall increase in capital assets of \$4,277,942 is primarily due to capital outlays of \$5,614,513 exceeding depreciation expense of \$450,603 and disposals of \$885,968 (net of accumulated depreciation) for fiscal year 2013.

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

Debt Administration

At June 30, 2013, the District had \$452,526 in capital lease obligations, \$852,578 in Ohio School Facilities Commission (OSFC) Notes, \$22,674,422 in school facilities construction and improvement bonds outstanding and \$150,000 in an agreement for a bus garage. Of this total, \$603,939 is due within one year and \$23,525,587 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2013 compared to 2012.

Outstanding Debt, at Year End

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
Capital lease obligations	\$ 452,526	\$ 321,947
OSFC Notes	852,578	921,350
School Facilities Construction and Improvement Bonds	22,674,422	22,988,733
Bus garage loan agreement	150,000	-
Total	\$ 24,129,526	\$ 24,232,030

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Current Financial Related Activities

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

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

A half percent school district income tax was passed February 2001 with hopes of not needing any additional operating levies for many years. Economic events do affect the District. Unfortunately, the income tax revenue collections have not increased as originally thought due to the economy. Changes in school funding, flat real estate values and projected decreases in state per student funding have forced school districts across the State to ask residents for additional revenue. Bellevue, which met 22 out of 24 indicators on the 2012-13 state report card, was in such a situation in 2008. With the District's revenue growth not keeping up with the increase in expenditures, the District first asked the voters to approve an additional 3.75 mill property tax in November 2008, however, the proposed tax levy was defeated.

The Administration responded with a restructuring plan that the Board approved for the 2010 fiscal school year. The plan consisted of closing two elementary buildings, relocating elementary students to grade level specific buildings and relocating all sixth graders to the middle school (from the elementary buildings). All preschool through first grade students were housed at Shumaker Elementary. District second graders were housed at Ridge Elementary while all third through fifth grade students were housed at York Elementary. The Ellis and Lyme Elementary buildings were closed. A savings of \$1.2 million resulted from the restructuring. The majority of the savings came from a staff reduction of over 40 staff members. This eliminated the need to ask residents for additional taxes at this point in time.

The Administration continues to analyze each position when retirements or resignations occur. We continue to make reductions in staff through attrition. A reduction of 0.20 FTE was made for the 2010-11 school year. A total of 4.41 positions were reduced for the 2011-12 school year, an additional 9.5 for the 2012-13 school year and yet another 5.0 for the 13-14 school year.

The District's opportunity to receive State monies through the Ohio School Facilities Commission became apparent during the 2009 fiscal year. The District qualified for 41% of the master plan cost to come from the State if local voters approved a tax issue to pay the remaining 59%. After obtaining community input, the master plan was approved which included the building of one new central elementary for grades preschool through five, building one middle school for grades six through eight and renovation of the current high school. Community input also pointed to segmenting the master plan to put a tax issue on the ballot for the elementary and middle school buildings in 2009, but to wait to ask voters for taxes to renovate the high school. In addition to the 41% State share, District officials applied and were granted the ability to issue Quality School Constructions Bonds (QSCB) through the federal stimulus monies at zero to very low interest rates. The District successfully passed a 4.9 mill, 38 year bond issue that was on the November 3, 2009 ballot. The ability to issue QSCBs and Build America Bonds versus traditional general obligation bonds resulted in an interest savings of \$11 million and shortened tax collection period by ten years. The true interest cost for the total issue was 3.48%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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

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

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

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments.	\$ 11,825,893
Cash and investments with escrow agent	157,128
Cash in segregated accounts	477,699
Receivables:	
Property taxes	8,718,159
Income taxes.	553,889
Accounts.	2,619
Accrued interest	692
Intergovernmental	409,515
Prepayments	74,786
Materials and supplies inventory.	67,613
Loans	3,754
Capital assets:	
Nondepreciable capital assets	35,616,248
Depreciable capital assets, net.	5,475,021
Capital assets, net.	<u>41,091,269</u>
Total assets.	<u>63,383,016</u>
Liabilities:	
Accounts payable.	116,050
Contracts payable.	158,037
Retainage payable	477,699
Accrued wages and benefits payable.	1,708,932
Pension obligation payable.	375,350
Intergovernmental payable	106,452
Unearned revenue	1,723
Accrued interest payable	80,639
Claims payable.	1,932
Long-term liabilities:	
Due within one year.	969,458
Due in more than one year.	25,041,542
Total liabilities	<u>29,037,814</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	<u>6,460,196</u>
Net position:	
Net investment in capital assets	20,592,686
Restricted for:	
Capital projects	23,928
Classroom facilities maintenance	599,870
Debt service.	1,318,948
Locally funded programs	10,050
State funded programs.	570
Federally funded programs	10,756
Student activities	131,099
Other purposes	250,509
Unrestricted	4,946,590
Total net position.	<u>\$ 27,885,006</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 7,710,364	\$ 553,904	\$ 133,695	\$ (7,022,765)
Special	3,262,351	29,511	1,618,792	(1,614,048)
Vocational	468,797		108,007	(360,790)
Adult/continuing.	10,582			(10,582)
Other	1,208,512	8,339		(1,200,173)
Support services:				
Pupil.	1,228,824		79,304	(1,149,520)
Instructional staff	1,151,213	235	101,807	(1,049,171)
Board of education	21,031			(21,031)
Administration.	1,546,916	4,944	4,253	(1,537,719)
Fiscal.	622,308			(622,308)
Business.	7,067			(7,067)
Operations and maintenance	2,750,721	27,711	1,895	(2,721,115)
Pupil transportation.	1,038,655		25,658	(1,012,997)
Central	71,822			(71,822)
Operation of non-instructional services:				
Other non-instructional services	161,294	24,010	122,811	(14,473)
Food service operations	824,040	351,755	479,292	7,007
Extracurricular activities.	687,755	269,229	10,880	(407,646)
Interest and fiscal charges	1,010,272		276,658	(733,614)
Total governmental activities	\$ 23,782,524	\$ 1,269,638	\$ 2,963,052	(19,549,834)
General revenues:				
Property taxes levied for:				
General purposes				6,669,432
Special revenue				127,304
Debt service.				1,135,691
Capital outlay.				358,777
School district income taxes				1,328,225
Grants and entitlements not restricted to specific programs				9,551,938
Decrease in FMV of investments				(17,127)
Investment earnings				37,210
Miscellaneous				114,752
Total general revenues				19,306,202
Change in net position				(243,632)
Net position at beginning of year (restated)				28,128,638
Net position at end of year.				\$ 27,885,006

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Debt Service	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 5,462,376	\$ 1,010,566	\$ 3,638,879	\$ 1,714,072	\$ 11,825,893
Cash and investments with escrow agent	-	157,128	-	-	157,128
Cash in segregated accounts	-	-	477,699	-	477,699
Receivables:					
Property taxes	6,925,124	1,300,134	-	492,901	8,718,159
Income taxes	553,889	-	-	-	553,889
Accounts	2,368	-	-	251	2,619
Accrued interest	355	337	-	-	692
Interfund loans	200,487	-	-	-	200,487
Intergovernmental	89,304	-	149,422	170,789	409,515
Prepayments	71,713	-	-	3,073	74,786
Materials and supplies inventory	48,149	-	-	19,464	67,613
Loans	3,754	-	-	-	3,754
Total assets	<u>\$ 13,357,519</u>	<u>\$ 2,468,165</u>	<u>\$ 4,266,000</u>	<u>\$ 2,400,550</u>	<u>\$ 22,492,234</u>
Liabilities:					
Accounts payable	\$ 103,973	-	-	\$ 12,077	\$ 116,050
Contracts payable	-	-	56,337	101,700	158,037
Retainage payable	-	-	477,699	-	477,699
Accrued wages and benefits payable	1,522,862	-	-	186,070	1,708,932
Compensated absences payable	285,137	-	-	17,267	302,404
Early retirement incentive payable	10,308	-	-	1,692	12,000
Interfund loans payable	-	-	-	200,487	200,487
Intergovernmental payable	97,639	-	-	8,813	106,452
Unearned revenue	1,723	-	-	-	1,723
Pension obligation payable	325,855	-	-	49,495	375,350
Claims payable	1,932	-	-	-	1,932
Total liabilities	<u>2,349,429</u>	<u>-</u>	<u>534,036</u>	<u>577,601</u>	<u>3,461,066</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	5,117,761	979,147	-	363,288	6,460,196
Delinquent property tax revenue not available	503,986	91,249	-	36,004	631,239
Accrued interest not available	-	337	-	-	337
Other nonexchange transactions not available	-	-	149,422	110,239	259,661
Miscellaneous revenue not available	36,701	-	-	-	36,701
Income tax revenue not available	97,369	-	-	-	97,369
Total deferred inflows of resources	<u>5,755,817</u>	<u>1,070,733</u>	<u>149,422</u>	<u>509,531</u>	<u>7,485,503</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	48,149	-	-	19,464	67,613
Prepays	71,713	-	-	3,073	74,786
Restricted:					
Debt service	-	1,397,432	-	-	1,397,432
Capital improvements	-	-	3,582,542	110,269	3,692,811
Classroom facilities maintenance	-	-	-	599,870	599,870
Food service operations	-	-	-	240,068	240,068
Other purposes	-	-	-	21,829	21,829
Extracurricular	-	-	-	131,099	131,099
Committed:					
Capital improvements	-	-	-	361,336	361,336
Assigned:					
Student instruction	50,453	-	-	-	50,453
Student and staff support	166,077	-	-	-	166,077
Extracurricular activities	1,667	-	-	-	1,667
Facilities acquisition and construction	20,982	-	-	-	20,982
Subsequent year's appropriations	333,582	-	-	-	333,582
School supplies	250	-	-	-	250
Other purposes	627	-	-	-	627
Unassigned (deficit)	4,558,773	-	-	(173,590)	4,385,183
Total fund balances	<u>5,252,273</u>	<u>1,397,432</u>	<u>3,582,542</u>	<u>1,313,418</u>	<u>11,545,665</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,357,519</u>	<u>\$ 2,468,165</u>	<u>\$ 4,266,000</u>	<u>\$ 2,400,550</u>	<u>\$ 22,492,234</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, 2013

Total governmental fund balances		\$ 11,545,665
<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.		41,091,269
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 631,239	
Income taxes receivable	97,369	
Accrued interest receivable	337	
Intergovernmental receivable	296,362	
Total		1,025,307
Unamortized premiums on bonds issued are not recognized in the funds.		(314,261)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(80,639)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
School facilities construction and improvement bonds	(22,674,422)	
Capital lease obligations	(452,526)	
Compensated absences	(1,252,809)	
Energy conservation notes	(852,578)	
Bus garage agreement	(150,000)	
Total		(25,382,335)
Net position of governmental activities		\$ 27,885,006

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, 2013

	General	Debt Service	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 6,698,408	\$ 1,133,934	\$ -	\$ 488,991	\$ 8,321,333
Income taxes	1,323,420	-	-	-	1,323,420
Tuition	454,028	-	-	-	454,028
Earnings on investments	24,149	4,985	8,686	4,358	42,178
Charges for services	-	-	-	353,137	353,137
Extracurricular	28,069	-	-	220,006	248,075
Classroom materials and fees	70,218	-	-	-	70,218
Rental income	26,329	-	-	-	26,329
Contributions and donations	3,402	-	-	4,687	8,089
Other local revenues	188,200	-	-	55,647	243,847
Intergovernmental - intermediate	2,423	-	-	-	2,423
Intergovernmental - state	10,193,924	157,953	342,963	292,613	10,987,453
Intergovernmental - federal	57,558	276,658	-	1,517,009	1,851,225
Decrease in FMV of investments	-	(14,993)	(2,134)	-	(17,127)
Total revenues	19,070,128	1,558,537	349,515	2,936,448	23,914,628
Expenditures:					
Current:					
Instruction:					
Regular	6,941,017	-	-	149,173	7,090,190
Special	2,336,462	-	-	727,577	3,064,039
Vocational	446,300	-	-	-	446,300
Adult/continuing	9,960	-	-	-	9,960
Other	1,132,447	-	-	-	1,132,447
Support services:					
Pupil	1,060,879	-	-	81,511	1,142,390
Instructional staff	924,773	-	-	231,095	1,155,868
Board of education	19,794	-	-	-	19,794
Administration	1,493,191	-	-	3,991	1,497,182
Fiscal	550,152	28,509	-	11,788	590,449
Business	6,689	-	-	-	6,689
Operations and maintenance	1,706,375	-	-	52,529	1,758,904
Pupil transportation	910,100	-	-	6,126	916,226
Central	66,028	-	-	-	66,028
Operation of non-instructional services:					
Other non-instructional services	26,461	-	-	127,892	154,353
Food service operations	-	-	-	801,130	801,130
Extracurricular activities	515,091	-	-	255,943	771,034
Facilities acquisition and construction	-	-	5,378,204	767,753	6,145,957
Capital outlay	260,231	-	-	150,000	410,231
Debt service:					
Principal retirement	72,555	413,772	-	36,896	523,223
Interest and fiscal charges	14,910	973,764	-	4,288	992,962
Total expenditures	18,493,415	1,416,045	5,378,204	3,407,692	28,695,356
Excess (deficiency) of revenues over (under) expenditures	576,713	142,492	(5,028,689)	(471,244)	(4,780,728)
Other financing sources (uses):					
Sale/loss of assets	130	-	-	61,776	61,906
Transfers in	-	73,207	-	3,049	76,256
Transfers (out)	(76,256)	-	-	-	(76,256)
Capital lease transaction	260,231	-	-	-	260,231
Bus garage loan agreement proceeds	-	-	-	150,000	150,000
Total other financing sources (uses)	184,105	73,207	-	214,825	472,137
Net change in fund balances	760,818	215,699	(5,028,689)	(256,419)	(4,308,591)
Fund balances at beginning of year	4,493,893	1,181,733	8,611,231	1,567,007	15,853,864
Increase (decrease) in reserve for inventory	(2,438)	-	-	2,830	392
Fund balances at end of year	\$ 5,252,273	\$ 1,397,432	\$ 3,582,542	\$ 1,313,418	\$ 11,545,665

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, 2013

Net change in fund balances - total governmental funds	\$	(4,308,591)
<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	\$ 5,614,513	
Current year depreciation	(450,603)	
Total		5,163,910
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(885,968)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		392
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(30,129)	
Income taxes	4,805	
Earnings on investments	(3,499)	
Intergovernmental	(330,557)	
Total		(359,380)
Repayment of bond, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	345,000	
Notes	68,772	
Capital leases	109,451	
Total		523,223
Capital lease obligation payable balance forgiven as part of the lease trade-in agreement. This reduces the long-term obligations on the statement of net position.		
		20,201
Issuances of capital leases and other long term agreements are recorded as other financing sources 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.		
Bus garage agreement	(150,000)	
Capital leases	(260,231)	
Total		(410,231)
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	508	
Accreted interest on capital appreciation bonds	(30,689)	
Amortization of bond premiums	12,871	
Total		(17,310)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in compensated absences		30,122
Change in net position of governmental activities	\$	(243,632)

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 6,400,000	\$ 6,400,000	\$ 6,505,283	\$ 105,283
Income taxes.	1,319,134	1,319,134	1,286,739	(32,395)
Tuition.	305,400	321,189	454,028	132,839
Earnings on investments	20,000	20,000	23,865	3,865
Classroom materials and fees	49,375	49,375	46,519	(2,856)
Rental income	3,000	3,000	28,052	25,052
Other local revenues	107,225	107,225	121,134	13,909
Intergovernmental - intermediate	-	-	2,423	2,423
Intergovernmental - state	10,268,864	10,253,075	10,193,924	(59,151)
Intergovernmental - federal	60,000	60,000	57,558	(2,442)
Total revenues	<u>18,532,998</u>	<u>18,532,998</u>	<u>18,719,525</u>	<u>186,527</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,404,438	7,336,459	7,032,972	303,487
Special.	2,519,171	2,537,409	2,383,820	153,589
Vocational.	454,458	487,880	456,159	31,721
Adult/continuing	10,747	10,599	3,335	7,264
Other.	1,156,399	1,135,947	1,123,328	12,619
Support services:				
Pupil.	1,091,965	1,090,465	1,062,328	28,137
Instructional staff	977,588	1,045,423	952,800	92,623
Board of education	29,372	28,967	19,683	9,284
Administration.	1,686,558	1,657,622	1,499,195	158,427
Fiscal	566,320	558,512	540,856	17,656
Business	8,544	8,531	8,077	454
Operations and maintenance.	2,185,918	2,226,346	1,940,974	285,372
Pupil transportation	1,107,451	1,112,389	968,531	143,858
Central.	70,889	69,912	66,480	3,432
Extracurricular activities.	475,727	469,168	471,768	(2,600)
Facilities acquisition and construction	6,095	6,011	20,982	(14,971)
Total expenditures	<u>19,751,640</u>	<u>19,781,640</u>	<u>18,551,288</u>	<u>1,230,352</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(1,218,642)</u>	<u>(1,248,642)</u>	<u>168,237</u>	<u>1,416,879</u>
Other financing sources (uses):				
Refund of prior year's expenditures	5,000	5,000	25,267	20,267
Refund of prior year's receipts.	(6,000)	(2,000)	-	2,000
Transfers (out).	(105,000)	(84,000)	(80,420)	3,580
Advances in.	182,217	182,217	182,217	-
Advances (out)	(190,000)	(185,000)	(204,241)	(19,241)
Sale of capital assets	-	-	130	130
Total other financing sources (uses)	<u>(113,783)</u>	<u>(83,783)</u>	<u>(77,047)</u>	<u>6,736</u>
Net change in fund balance	(1,332,425)	(1,332,425)	91,190	1,423,615
Fund balance at beginning of year	4,628,123	4,628,123	4,628,123	-
Prior year encumbrances appropriated	369,717	369,717	369,717	-
Fund balance at end of year	<u>\$ 3,665,415</u>	<u>\$ 3,665,415</u>	<u>\$ 5,089,030</u>	<u>\$ 1,423,615</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, 2013

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 11,541	\$ 97,200
Receivables:		
Accounts		29
Total assets.	\$ 11,541	\$ 97,229
Liabilities:		
Accounts payable.		\$ 5,322
Due to students.		88,153
Loans payable		3,754
Total liabilities		\$ 97,229
Net position:		
Held in trust for scholarships	\$ 11,541	
Total net position.	\$ 11,541	

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, 2013

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 30
Gifts and contributions	2,000
Total additions.	2,030
 Change in net position	 2,030
Net position at beginning of year.	9,511
Net position at end of year	\$ 11,541

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Bellevue City School District, Huron County, Ohio (the "District") operates under a locally-elected, five-member Board form of government and provides educational services as authorized or mandated by State and/or federal agencies. This Board controls the District's seven instructional/support facilities staffed by 99 non-certified employees and 175 certified teaching personnel to provide services to approximately 2,089 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, 2013
(Continued)

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

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

RELATED ORGANIZATION

Bellevue Public Library

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the BACG are natural gas and insurance. The cost to the District is an administrative charge, assessed only if it participates. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms, which are staggered. The District paid \$35,464 to BACG for services during 2013. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 1210 East Bogart Road, Sandusky, Ohio 44870.

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$14,771 to NOECA for services during 2013. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 1210 East Bogart Road, Sandusky, Ohio 44870.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative (“the Cooperative”) is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 1210 East Bogart Road, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

PUBLIC ENTITY RISK POOLS

Sheakley Workers' Compensation Group Retrospective Rating Plan

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

Huron-Erie School Employees Insurance Association

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational 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, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

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

E. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 31, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District. The amounts reported in the budgetary statement reflect the amounts set forth in the first and final amended certificates of estimated resources issued for fiscal year 2013.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

6. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2013. 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 2013, investments were limited to Federal Farm Credit Bank (FFCB) Securities, Federal Home Loan Bank (FHLB) securities, U.S. Government money markets and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$24,149, which includes \$2,834 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

<u>Description</u>	
Land improvements	10 - 70 years
Buildings and improvements	5 - 70 years
Furniture and equipment	5 - 50 years
Vehicles	6 - 20 years
Infrastructure	15 - 50 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

L. Fund Balance

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service. The District had no net position restricted by enabling legislation.

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

N. Prepayments

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

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

O. Estimates

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

P. Unamortized Bond Premium and Discount/Issuance Costs

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2013, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" and GASB Statement No. 66, "Technical Corrections - 2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	Governmental Activities
Net assets as previously reported	\$ 28,455,763
Removal of unamortized bond issuance costs	<u>(327,125)</u>
Net position at July 1, 2012	<u>\$ 28,128,638</u>

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Auxiliary service	\$ 9,267
IDEA Part-B	84,988
Title I	62,139
IDEA Part-B preschool stimulus	3,106
Improving teacher quality	14,090

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**BELLEVUE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash and Investments with Escrow Agent

At fiscal year end, \$157,128 was on deposit with an escrow agent for monies held in relation to the District's sinking fund deposits that are required for the District's Series 2010A bonds (See Note 11.C.). These funds are included as "investments" below.

B. Cash in Segregated Accounts

At fiscal year end, \$477,699 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$8,132,220. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$7,951,942 of the District’s bank balance of \$8,284,249 was exposed to custodial risk as discussed below, while \$332,307 was covered by the FDIC.

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

D. Investments

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>	
		<u>6 months or less</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 3,802,414	\$ 3,802,414	\$ -
FFCB	60,379	-	60,379
FHLB	90,797	-	90,797
U.S. Government money market	<u>5,952</u>	<u>5,952</u>	-
Total	<u>\$ 3,959,542</u>	<u>\$ 3,808,366</u>	<u>\$ 151,176</u>

The weighted average maturity of the investments is 0.49 years.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2013.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,802,414	96.04
FFCB	60,379	1.52
FHLB	90,797	2.29
U.S. Government money market	<u>5,952</u>	<u>0.15</u>
Total	<u>\$ 3,959,542</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,132,220
Investments	3,959,542
Cash in segregated accounts	<u>477,699</u>
Total	<u>\$ 12,569,461</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 12,460,720
Private-purpose trust fund	11,541
Agency fund	<u>97,200</u>
Total	<u>\$ 12,569,461</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2013 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 200,487</u>

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

Interfund balances between governmental funds are eliminated on the government-wide statement of Net Position.

- B. Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>		
General fund		\$ 3,049
<u>Transfers to debt service fund from:</u>		
General fund		<u>73,207</u>
Total		<u>\$ 76,256</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 2013 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

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

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 3,754</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$1,303,377 in the general fund, \$229,738 in the debt service fund and \$93,609 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,110,252 in the general fund, \$189,607 in the debt service fund and \$78,626 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, 2013 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 of resources.

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 of resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 249,588,590	96.92	\$ 237,812,490	96.52
Public utility personal	<u>7,927,060</u>	<u>3.08</u>	<u>8,581,340</u>	<u>3.48</u>
Total	<u>\$ 257,515,650</u>	<u>100.00</u>	<u>\$ 246,393,830</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$42.90		\$43.05	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District maintains a five year .5% income tax through 2013 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 2013 was \$1,323,420.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 8,718,159
Income taxes	553,889
Accounts	2,619
Accrued interest	692
Intergovernmental	<u>409,515</u>
Total	<u>\$ 9,684,874</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio Schools Facilities Commission intergovernmental receivable of \$149,422, which will be collected over the duration of the construction project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/13</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,090,200	\$ 93,974	\$ -	\$ 1,184,174
Construction in progress	<u>29,967,341</u>	<u>4,464,733</u>	<u>-</u>	<u>34,432,074</u>
Total capital assets, not being depreciated	<u>31,057,541</u>	<u>4,558,707</u>	<u>-</u>	<u>35,616,248</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,013,623	23,075	(12,120)	1,024,578
Buildings and improvements	7,630,301	444,505	(2,738,792)	5,336,014
Furniture and equipment	3,916,665	588,226	(1,934,456)	2,570,435
Vehicles	<u>1,652,390</u>	<u>-</u>	<u>-</u>	<u>1,652,390</u>
Total capital assets, being depreciated	<u>14,212,979</u>	<u>1,055,806</u>	<u>(4,685,368)</u>	<u>10,583,417</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(631,965)	(16,216)	9,567	(638,614)
Buildings and improvements	(4,292,756)	(139,862)	1,905,030	(2,527,588)
Furniture and equipment	(2,617,802)	(213,868)	1,884,803	(946,867)
Vehicles	<u>(914,670)</u>	<u>(80,657)</u>	<u>-</u>	<u>(995,327)</u>
Total accumulated depreciation	<u>(8,457,193)</u>	<u>(450,603)</u>	<u>3,799,400</u>	<u>(5,108,396)</u>
Governmental activities capital assets, net	<u>\$ 36,813,327</u>	<u>\$ 5,163,910</u>	<u>\$ (885,968)</u>	<u>\$ 41,091,269</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 169,546
Special	8,556
Other	5,295

Support services:

Instructional staff	8,418
Administration	4,006
Operations and maintenance	114,432
Pupil transportation	100,558
Extracurricular activities	33,561
Food service operations	<u>6,231</u>
Total depreciation expense	<u>\$ 450,603</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years and during the current fiscal year, the District entered into capitalized leases for copier equipment, vehicles and other miscellaneous equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of furniture and equipment and vehicles have been capitalized in the amount of \$651,251. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2013 was \$237,383, leaving a current book value of \$451,062. A corresponding liability was recorded in the government-wide statement of net position. Principal payments in the 2013 fiscal year were as follows: \$72,555 paid by the general fund and \$36,896 paid by the permanent improvement fund (a nonmajor governmental fund). In addition to the amount of principal retired, the District also traded in capital leases with a principal balance of \$20,201.

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, 2013:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 134,042
2015	133,727
2016	129,974
2017	59,694
2018	<u>40,585</u>
Total minimum lease payments	498,022
Less: amount representing interest	<u>(45,496)</u>
Total	<u>\$ 452,526</u>

In calculating net investment in capital assets on the statement of net position, capital leases capitalized have outstanding debt at June 30, 2013 in the amount of \$451,062.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2013, the following changes occurred in the governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/13</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
Energy conservation notes	\$ 921,350	\$ -	\$ (68,772)	\$ 852,578	\$ 69,116
General obligation bonds:					
Series 2010A	8,995,000	-	(270,000)	8,725,000	290,000
Series 2010B and C	13,993,733	30,689	(75,000)	13,949,422	80,000
Capital lease obligation	321,947	260,231	(129,652)	452,526	114,823
Bus garage agreement	-	150,000	-	150,000	50,000
Compensated absences	<u>1,635,525</u>	<u>398,832</u>	<u>(467,144)</u>	<u>1,567,213</u>	<u>365,519</u>
Total long-term obligations	<u>\$ 25,867,555</u>	<u>\$ 839,752</u>	<u>\$ (1,010,568)</u>	25,696,739	<u>\$ 969,458</u>
Add: unamortized premium				<u>314,261</u>	
Total on statement of net assets				<u>\$ 26,011,000</u>	

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

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

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

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Ending June 30, 2014	\$ 69,116	\$ 4,090	\$ 73,206
2015	69,461	3,744	73,205
2016	69,808	3,395	73,203
2017	70,157	3,046	73,203
2018	70,508	2,694	73,202
2019 - 2023	357,865	8,132	365,997
2024 - 2025	<u>145,663</u>	<u>729</u>	<u>146,392</u>
Total	<u>\$ 852,578</u>	<u>\$ 25,830</u>	<u>\$ 878,408</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

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

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Current interest bonds -				
2010 A series	\$ 8,995,000	\$ -	\$ (270,000)	\$ 8,725,000

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 2013, the District made \$65,713 in sinking fund deposits which represent the total deposits into the sinking fund since inception. The payments into the sinking fund are made through the debt service fund. On the financial statements, the fair value of the investments accumulated in the sinking fund in the amount of \$157,128 is reported as “cash and investments with escrow agent”.

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

<u>Fiscal Year</u>	<u>Sinking Fund</u> <u>Required Deposit</u>
2014	\$ 74,078
2015	80,187
2016	86,688
2017	99,846
2018	107,476
2019 - 2023	727,386
2024 - 2026	<u>633,877</u>
Total	<u>\$ 1,809,538</u>

**BELLEVUE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2010A - Term Bonds		
	Principal	Interest	Total
2014	\$ -	\$ 45,000	\$ 45,000
2015	-	45,000	45,000
2016	-	45,000	45,000
2017	-	45,000	45,000
2018	-	45,000	45,000
2019 - 2023	-	225,000	225,000
2024 - 2027	<u>3,000,000</u>	<u>157,500</u>	<u>3,157,500</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 607,500</u>	<u>\$ 3,607,500</u>

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

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2010A - Bullet Maturity		
	Principal	Interest	Total
2014	\$ 290,000	\$ 83,700	\$ 373,700
2015	300,000	79,275	379,275
2016	315,000	74,662	389,662
2017	330,000	69,825	399,825
2018	350,000	64,725	414,725
2019 - 2023	2,105,000	235,837	2,340,837
2024 - 2027	<u>2,035,000</u>	<u>59,738</u>	<u>2,094,738</u>
Total	<u>\$ 5,725,000</u>	<u>\$ 667,762</u>	<u>\$ 6,392,762</u>

- D. School Facilities Construction and Improvement Bonds - Series 2010B and 2010C:** On March 10, 2010, the District issued Series 2010B current interest serial bonds, par value \$565,000, Series 2010b capital appreciation bonds, par value \$249,991, and Series 2010C current interest Building America Bonds (BABs), par value \$13,195,000, to finance building construction and improvements. The interest rates on the current interest bonds range from .08% to 6.45%. The capital appreciation bonds mature on December 1, 2029 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,490,000. Total accreted interest of \$89,431 has been included in the statement of net position at June 30, 2013. \$3,854,309 of the proceeds of these bonds, along with the \$357,164 bond premium at issuance, were unspent at June 30, 2013.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond will be recorded as an expenditure in the debt service fund.

**BELLEVUE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

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

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Current interest bonds -				
2010B serial	\$ 490,000	\$ -	\$ (75,000)	\$ 415,000
2010C BABs	13,195,000	-	-	13,195,000
Capital appreciation bonds -				
2010B	249,991	-	-	249,991
Capital appreciation bonds -				
Accreted interest	<u>58,742</u>	<u>30,689</u>	<u>-</u>	<u>89,431</u>
Total	<u>\$ 13,993,733</u>	<u>\$ 30,689</u>	<u>\$ (75,000)</u>	<u>\$ 13,949,422</u>

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 80,000	\$ 834,880	\$ 914,880	\$ -	\$ -	\$ -
2015	80,000	833,280	913,280	-	-	-
2016	85,000	831,630	916,630	-	-	-
2017	85,000	829,760	914,760	-	-	-
2018	85,000	827,571	912,571	-	-	-
2019 - 2023	475,000	4,071,737	4,546,737	-	-	-
2024 - 2028	1,280,000	3,899,076	5,179,076	37,276	162,724	200,000
2029 - 2033	4,065,000	3,177,346	7,242,346	212,715	1,077,285	1,290,000
2034 - 2038	<u>7,375,000</u>	<u>1,242,619</u>	<u>8,617,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,610,000</u>	<u>\$ 16,547,899</u>	<u>\$ 30,157,899</u>	<u>\$ 249,991</u>	<u>\$ 1,240,009</u>	<u>\$ 1,490,000</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

F. 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, 2013, are a voted debt margin of \$987,886 (including available funds of \$1,397,432) and an unvoted debt margin of \$246,394.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Ohio SchoolPlan		
Each occurrence		\$ 2,000,000	\$ -
Aggregate		4,000,000	-
Building and contents	Ohio School Plan	67,996,629	1,000
Fleet:	Ohio School Plan		
Comprehensive		1,000,000	1,000
Collision		1,000,000	1,000
Umbrella liability:	Ohio School Plan		
Each occurrence		included above	-
Aggregate		included above	-

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

**BELLEVUE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

The Board of Trustees of the consortium, with assistance of actuarial analysis, establishes premium rates for medical, dental, and prescription drug insurance, based upon the specific plan negotiated by each member district and its employees. Premiums are placed in a Trust Fund controlled by the Board of Trustees and invested prudently to produce income which additionally benefits the consortium. The agreement of the Huron-Erie School Employee Insurance Association provides that the Huron-Erie School Employee Insurance Association will be self-sustaining through member premiums and will reinsure through commercial companies for all claims. The Huron-Erie School Employee Insurance Association retains the risk. The pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$400,000 per individual incurred anytime but paid between 7/1/12 and 6/30/13. This coverage is limited to \$2,000,000 annually. Individual coverage per person is unlimited during his or her lifetime. The “reserves” in the Trust Fund include monies necessary to pay the “claims run-out”, should the consortium ever be dissolved. Because the consortium is organized under Internal Revenue Code 501C (9), investment income is tax exempt.

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

C. Worker’s Compensation

The District participates in the Sheakley Worker’s Compensation Group Retrospective Rating Plan. Each year, the District continues to pay their individual BWC premiums for the Program Year as required. The BWC will evaluate the group’s claim losses (compensation and medical costs, as well as claim reserves), at 12, 24 and 36 months following the end of the group retro policy year. If BWC findings result in a group retrospective premium calculation lower than the group’s standard premium, participating employers may be entitled to a refund.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$358,177, \$356,180 and \$333,130, respectively; 71.79 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,139,072, \$1,175,337 and \$1,198,704, respectively; 84.24 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$32,584 made by the District and \$23,274 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**BELLEVUE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$46,429, \$57,239 and \$96,463, respectively; 71.79 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$20,233, \$21,034 and \$21,438, respectively; 71.79 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$87,621, \$90,411 and \$92,208, respectively; 84.24 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**BELLEVUE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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	\$ 91,190
Net adjustment for revenue accruals	221,593
Net adjustment for expenditure accruals	(106,724)
Net adjustment for other sources/uses	256,988
Funds budgeted elsewhere	7,687
Adjustment for encumbrances	290,084
GAAP basis	<u>\$ 760,818</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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.

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, 2012	\$ -
Current year set-aside requirement	348,689
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(600,597)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (251,908)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 18 - CONTRACTUAL COMMITMENTS

On June 30, 2013, the District had the following contractual commitments outstanding related to the construction project described in Note 11. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2013</u>	<u>Remaining Contract Amount</u>
ACI Construction Company	\$ 971,460	\$ 971,460	\$ -
Adena Corporation	9,150,472	9,051,769	98,703
AJ Riley	199,454	191,854	7,600
Continental Office	626,945	489,860	137,085
Ed Burdue	172,000	152,620	19,380
Hi-Tech Electric	1,730,182	1,564,640	165,542
Martin Public Seating	98,870	98,870	-
Oakland Plumbing	1,515,810	1,454,203	61,607
Telamon Construction Company	7,680,869	7,580,462	100,407
Tom Sexton & Associates	472,470	428,619	43,851
Total Environmental Service	583,769	583,769	-
Valley Electrical	521,825	521,825	-
Vaughn Industries, LLC.	4,644,631	4,594,867	49,764
Vulcan Enterprises, Inc.	324,728	324,728	-
Warner Mechanical	1,485,287	1,462,862	22,425
Zenith	<u>279,010</u>	<u>279,010</u>	<u>-</u>
Total	<u>\$ 30,457,782</u>	<u>\$ 29,751,418</u>	<u>\$ 706,364</u>

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 175,578
Classroom facilities	945,790
Other governmental	<u>367,556</u>
Total	<u>\$ 1,488,924</u>

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR		Federal		
<i>Pass Through Grantor</i>		CFDA		
<u>Program Title</u>		Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed through the Ohio Department of Education</i>				
<u>Child Nutrition Cluster:</u>				
School Breakfast Program		10.553	\$ 67,918	\$ 67,918
National School Lunch Program				
Non-Cash Assistance (Food Distribution)		10.555	85,684	85,684
Cash Assistance		10.555	399,155	399,155
Total National School Lunch Program			<u>484,839</u>	<u>484,839</u>
Total United States Department of Agriculture			<u>552,757</u>	<u>552,757</u>
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Education</i>				
<u>Special Education Cluster (IDEA):</u>				
Special Education - Grants to States (IDEA Part B)		84.027	462,216	462,701
Special Education - Preschool Grants (IDEA Preschool)		84.173	17,420	17,234
Total - Special Education Cluster			<u>479,636</u>	<u>479,935</u>
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)		84.010	333,575	388,139
Educational Technology (Title II Part D)		84.318	2,354	2,389
Improving Teacher Quality State Grants		84.367	89,363	89,123
ARRA - Race to the Top		84.395	48,322	38,843
Education Jobs Fund (EdJobs)		84.410	35,707	35,655
Total United States Department of Education			<u>988,957</u>	<u>1,034,084</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,541,714</u>	<u>\$ 1,586,841</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

INDEPENDENT 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, 2013, 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 17, 2014, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Bellevue City School District's, Huron County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Bellevue City School District, Huron County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2014

**BELLEVUE CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - Special Education Grants to States (IDEA Part B) CFDA #84.027, and Special Education Preschool Grants (IDEA Preschool) CFDA #84.173.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Bellevue City School District, Huron County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on May 17, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 17, 2014

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Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

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BELLEVUE CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**