

Bellevue Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2015
With Independent Auditors' Report**

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2015

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BELLEVUE INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2015

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Independent Auditors' Report

To the Members of the Board of Education
Bellevue Independent School District
Bellevue, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellevue Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Bellevue Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bellevue Independent School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
(Continued)

Other Matters

Change in Accounting Principle

As described in note 17 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bellevue Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the Bellevue Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Bellevue Independent School District's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015

As management of the Bellevue Independent Board of Education (Board), the governing body for the Bellevue Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the General Fund was \$2,208,296 for fiscal year (FY) 2014-15, compared to the ending cash balance of \$1,932,835 for FY2013-14.
- The General Fund had approximately \$5.31 million in revenue (excluding inter-fund transfers and on-behalf amounts of \$1.3 million) which primarily consisted of the basic state funding program (known as Support Education Excellence in Kentucky, or SEEK), property taxes, and motor vehicle taxes. The General Fund had expenditures of approximately \$5.15 million (excluding inter-fund transfers and on-behalf amounts of \$1.3 million).
- Bellevue Independent School District is located in an older community that has very little remaining space for new residential or commercial construction. As a result, real estate assessments for property tax purposes have remained relatively constant except for changes that reflect sales of existing property or periodic re-assessments by the property valuation administrator. Therefore, to increase property tax receipts, the Board continues to adopt annual tax rates that provide a 4% increase in property tax revenue compared to the prior year's property tax revenue and, by law, are not subject to a recall vote. These higher tax receipts allow the Board to budget for higher expenses, including higher salaries and benefits that have to be paid in order to compete with other school districts, to comply with state-mandated salary increases, and to fund increases reflected on the District's salary schedules for additional years of experience.
- SEEK funding for FY2014-15 was approximately \$168,000 lower than that for the prior year. Although the base SEEK funding per average daily student attendance (AADA) was increased from \$3,827 last year to \$3,911 this year, the effect of the increase in base SEEK was more than offset by the fact that our AADA declined by 43 students. The demographics of the Bellevue neighborhood suggest that we can expect little or no growth in our student populations. Any significant changes in SEEK revenue are largely dependent on legislative changes made by the state to the SEEK base.
- The District remains committed to retaining quality teachers by offering competitive salary schedules.
- The District remains committed to researching and implementing positive programs for our students, including the purchase of technology software and hardware. Priority items of the Bellevue Board of Education continues to be utilizing researched-based ways of increasing student test scores and ensuring our students receive state of the art technology experiences through smart classrooms.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

FINANCIAL HIGHLIGHTS (Continued)

- In FY2014-15, as part of the federal program known as the Community Eligibility Option (CEO), the District's food service operations began to provide meal service to all students at no charge, regardless of economic status. Largely as a result of this initiative, compared to FY2013-14, revenue from local sources decreased by approximately \$32,500 which was only partially offset by an increase in revenue from federal sources of approximately \$11,500. The net decrease in revenues plus an increase in operating expenses caused a decline of approximately \$66,000 in the food service cash balance. However, for FY 2015-16, the District has initiated better ways to measure and encourage student participation in the program, and we are projecting increased federal reimbursements that will reverse the trend of declining net revenues for the Food Service Operation.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries (some of which are a direct result of mandates by the state), and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (KTRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year, we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by KTRS. It may be assumed that school districts, including our own, will have to fund even more of this deficit unless the state starts to fund the system in a responsible manner. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and their local tax payers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Bellevue Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 39 of this report.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,442,552 as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the periods ending June 30, 2015 and 2014

The following is a summary of net position for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Current assets	\$ 2,379,574	\$ 2,221,653
Noncurrent assets	4,051,101	4,386,879
Total assets	<u>6,430,675</u>	<u>6,608,532</u>
Total deferred outflows	149,702	-
Current liabilities	502,380	468,264
Noncurrent liabilities	3,731,078	2,757,712
Total liabilities	<u>4,233,458</u>	<u>3,225,976</u>
Net position		
Investment in capital assets (net of debt)	1,440,634	1,409,478
Restricted	39,644	38,518
Unrestricted	866,641	1,934,560
Total net position	<u>\$ 2,346,919</u>	<u>\$ 3,382,556</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Comments on General Fund Budget Comparisons

- On-Behalf and Budget Variances – As part of GASB 34, the District's financial statements include payments made by the Commonwealth of Kentucky that benefited the students or the employees of the District. For the General Fund, these include amounts paid by the state for KTRS retirement, health insurance, flexible-spending health benefit contributions, life insurance, certain technology services, and administrative fees. For the audited financial reports, such on-behalf payments were added to the District's related revenue and expenses line items for the General Fund. (See Note 15 – On-Behalf Payments of the accompanying Financial Statements for the year ended June 30, 2015.)
- It is notable that on-behalf payments represent state obligations that are not District obligations. Therefore, they have not been included as part of the budgeting process for the General Fund. As a result, the variances between amounts budgeted for the General Fund and the actual results (see Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund on Page 42 of the accompanying financial statements) may be skewed by on-behalf payments.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 35,090	\$ 65,063
Operating grants	1,220,045	1,351,934
Capital grants	417,183	-
Total grant revenues	<u>1,672,318</u>	<u>1,416,997</u>
General Revenues		
Taxes	3,102,961	3,161,581
Grants and entitlements	3,954,805	3,462,431
Earnings on investments	7,574	7,317
Miscellaneous	200,457	148,552
Total general revenues	<u>7,265,797</u>	<u>6,779,881</u>
Total revenues	<u>8,938,115</u>	<u>8,196,878</u>
Expenses		
Instructional	4,842,606	4,100,955
Student support services	289,751	292,146
Staff support	579,001	601,937
District administration	551,616	772,720
School administration	598,875	590,282
Business support	419,580	360,377
Plant operations	685,179	453,733
Student transportation	176,138	71,830
Community Services	123,271	132,045
Food service operation	433,863	400,193
Interest on long-term debt	118,052	112,813
Total expenses	<u>8,817,932</u>	<u>7,889,031</u>
Excess of revenues over expenses	<u>\$ 120,183</u>	<u>\$ 307,847</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

BUDGETARY IMPLICATIONS

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget. A tentative budget is adopted by the District by the end of May for the subsequent year. A final working budget is adopted by the end of September for each fiscal year following the determination of the enrollment at the beginning of the new school year, the salaries for new employees/positions, and the tax assessments and levied rates that will be used to determine the property tax revenues.

The most significant budgeted fund is the General Fund. By law, the General Fund budget must have a minimum 2% contingency based on the total expenses budgeted for the General and Food Service Funds. The District adopted a 2014-15 budget with \$635,791 in contingency (10.0%) which was approximately \$508,000 more than required by law.

Capital Assets

At the end of the fiscal year 2015, the District had a total of \$4,146,734 million in capital assets, net of accumulated depreciation, including \$4,136,002 million for governmental activities and \$10,732 for business type activities. Current year capital assets additions totaled \$97,082.

Debt

At June 30, 2015, the District had approximately \$13,998,039 million in outstanding bonds. There were no new bond issuances during fiscal year 2015.

Change in District Management

The Board hired Mr. Robb Smith on a 4-year contract as Superintendent of Bellevue Independent Schools effective July 1, 2014. Mr. Wayne Starnes, the former Superintendent, retired effective June 30, 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Rob Smith, Superintendent or to his representative Mrs. Jennifer Pierce, Finance Officer (859) 491-6565 or by mail to: Central Office, 219 Center Street, Bellevue, KY 41073.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 2,253,686	\$ 2,916	\$ 2,256,602
Accounts receivable	106,777	8,046	114,823
Inventories for consumption	-	8,149	8,149
Total current	<u>2,360,463</u>	<u>19,111</u>	<u>2,379,574</u>
Noncurrent:			
Nondepreciated capital assets:			
Land	187,865	-	187,865
Depreciated capital assets:			
Land improvements	98,312	-	98,312
Buildings and improvements	8,237,268	-	8,237,268
Furniture and equipment	1,886,590	217,502	2,104,092
Less: accumulated depreciation	<u>(6,369,666)</u>	<u>(206,770)</u>	<u>(6,576,436)</u>
Total noncurrent	<u>4,040,369</u>	<u>10,732</u>	<u>4,051,101</u>
Total assets	<u>6,400,832</u>	<u>29,843</u>	<u>6,430,675</u>
Deferred Outflows	<u>144,986</u>	<u>4,716</u>	<u>149,702</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	327,223	-	327,223
Accounts payable	2,640	-	2,640
Accrued interest	30,127	-	30,127
Accrued sick leave	16,336	-	16,336
Accrued payroll and related expenses	69,183	-	69,183
Unearned revenue	<u>56,871</u>	<u>-</u>	<u>56,871</u>
Total current	<u>502,380</u>	<u>-</u>	<u>502,380</u>
Noncurrent:			
Accrued sick leave	147,028	-	147,028
CERS net pension liability	1,119,580	36,240	1,155,820
Bond obligations	<u>2,428,230</u>	<u>-</u>	<u>2,428,230</u>
Total noncurrent	<u>3,694,838</u>	<u>36,240</u>	<u>3,731,078</u>
Total liabilities	<u>4,197,218</u>	<u>36,240</u>	<u>4,233,458</u>
Net Position			
Invested in capital assets, net of related debt	1,429,902	10,732	1,440,634
Restricted	52,057	(12,413)	39,644
Unrestricted	<u>866,641</u>	<u>-</u>	<u>866,641</u>
Total net position	<u>\$ 2,348,600</u>	<u>\$ (1,681)</u>	<u>\$ 2,346,919</u>

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instructional	\$ 4,842,606	\$ -	\$ 404,045	\$ -	\$ (4,438,561)	\$ -	\$ (4,438,561)
Student support services	289,751	-	133,051	-	(156,700)	-	(156,700)
Staff support services	579,001	-	181,986	-	(397,015)	-	(397,015)
District administration	551,616	-	-	-	(551,616)	-	(551,616)
School administration	598,875	-	-	-	(598,875)	-	(598,875)
Business support services	419,580	-	-	-	(419,580)	-	(419,580)
Plant operation and maintenance	685,179	-	1,235	-	(683,944)	-	(683,944)
Student transportation	176,138	-	15,015	-	(161,123)	-	(161,123)
Community service operations	123,271	-	119,831	-	(3,440)	-	(3,440)
Facility acquisition and construction	-	-	-	417,183	417,183	-	417,183
Interest on long-term debt	118,052	-	-	-	(118,052)	-	(118,052)
Total governmental activities	8,384,069	-	855,163	417,183	(7,111,723)	-	(7,111,723)
Business-type activities							
Food service	433,863	35,090	364,882	-	-	(33,891)	(33,891)
Total business-type activities	433,863	35,090	364,882	-	-	(33,891)	(33,891)
Total school district	\$ 8,817,932	\$ 35,090	\$ 1,220,045	\$ 417,183	(7,111,723)	(33,891)	(7,145,614)
			General revenues:				
			Taxes		3,102,961	-	3,102,961
			State and federal sources		3,954,805	-	3,954,805
			Investment earnings		7,339	235	7,574
			Miscellaneous		200,457	-	200,457
			Special items:		-	-	-
			Loss on disposal of fixed assets		-	-	-
			Fund transfer		28,484	(28,484)	-
			Total general and special revenues		7,294,046	(28,249)	7,265,797
			Change in net position		182,323	(62,140)	120,183
			Net position - beginning		3,285,857	96,699	3,382,556
			Net position adjustment (Note 17)		(1,119,580)	(36,240)	(1,155,820)
			Net position - ending		\$ 2,348,600	\$ (1,681)	\$ 2,346,919

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current:				
Cash (overdraft) and cash equivalents	\$ 2,208,296	\$ (6,667)	\$ 52,057	\$ 2,253,686
Accounts receivable	<u>28,287</u>	<u>78,490</u>	<u>-</u>	<u>106,777</u>
Total current	<u><u>\$ 2,236,583</u></u>	<u><u>\$ 71,823</u></u>	<u><u>\$ 52,057</u></u>	<u><u>\$ 2,360,463</u></u>
Liabilities and Fund Balances				
Liabilities				
Current:				
Accounts payable	\$ -	\$ 2,640	\$ -	\$ 2,640
Unearned revenue	-	69,183	-	69,183
Accrued payroll and related expenses	<u>56,871</u>	<u>-</u>	<u>-</u>	<u>56,871</u>
Total current	<u>56,871</u>	<u>71,823</u>	<u>-</u>	<u>128,694</u>
Fund Balances				
Restricted:				
Capital projects	-	-	52,057	52,057
Unrestricted	2,098,030	-	-	2,098,030
Committed:				
Sick Leave	<u>81,682</u>	<u>-</u>	<u>-</u>	<u>81,682</u>
Total fund balances	<u>2,179,712</u>	<u>-</u>	<u>52,057</u>	<u>2,231,769</u>
Total liabilities and fund balances	<u><u>\$ 2,236,583</u></u>	<u><u>\$ 71,823</u></u>	<u><u>\$ 52,057</u></u>	<u><u>\$ 2,360,463</u></u>

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2015**

Total governmental fund balance		\$ 2,231,769
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	10,410,035	
Accumulated depreciation	<u>(6,369,666)</u>	4,040,369
Deferred Outflows		
CERS contributions made after the measurement date		144,986
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(2,755,453)
Accrued interest on bonds		(30,127)
CERS net pension liability		(1,119,580)
Accrued sick leave		<u>(163,364)</u>
Total net position - governmental		<u>\$ 2,348,600</u>

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 3,102,961	\$ -	\$ -	\$ 3,102,961
Earnings on investments	7,339	-	-	7,339
State sources	3,323,204	335,839	417,183	4,076,226
Federal sources	14,327	485,167	-	499,494
Other sources	55,471	34,157	-	89,628
Total revenues	6,503,302	855,163	417,183	7,775,648
Expenditures				
Instructional	3,516,433	419,856	-	3,936,289
Student support services	156,700	133,051	-	289,751
Staff support services	395,715	181,986	-	577,701
District administration	547,086	-	-	547,086
School administration	560,702	-	-	560,702
Business support services	419,580	-	-	419,580
Plant operation and maintenance	669,952	1,235	-	671,187
Student transportation	153,569	15,015	-	168,584
Community service operations	1,880	119,831	-	121,711
Debt service:				
Principal	19,084	-	298,497	317,581
Interest	3,016	-	105,147	108,163
Total expenditures	6,443,717	870,974	403,644	7,718,335
Excess (deficit) of revenues over expenditures	59,585	(15,811)	13,539	57,313
Other financing sources (uses)				
Loan and bond proceeds	95,633	-	-	95,633
Operating transfers in	28,484	15,811	-	44,295
Operating transfers out	(15,811)	-	-	(15,811)
Total other financing sources (uses)	108,306	15,811	-	124,117
Net change in fund balance	167,891	-	13,539	181,430
Fund balance, July 1, 2014	2,011,821	-	38,518	2,050,339
Fund balance, June 30, 2015	\$ 2,179,712	\$ -	\$ 52,057	\$ 2,231,769

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015**

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

Net changes-governmental funds		\$ 181,430
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(334,329)	
Capital outlays	<u> -</u>	(334,329)
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond principal paid	317,581	
Bond proceeds	<u>(95,633)</u>	221,948
Deferred outflow CERS contributions made after the measurement date		144,986
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>(31,712)</u>
Changes in net position of governmental activities		<u><u>\$ 182,323</u></u>

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Fund
As of June 30, 2015**

	<u>Food Service</u>	<u>Total</u>
Assets		
Current		
Cash and cash equivalents	\$ 2,916	\$ 2,916
Accounts receivable	8,046	8,046
Inventories for consumption	<u>8,149</u>	<u>8,149</u>
Total current	<u>19,111</u>	<u>19,111</u>
Noncurrent		
Furniture and Fixtures	217,502	217,502
Less: accumulated depreciation	<u>(206,770)</u>	<u>(206,770)</u>
Total noncurrent	<u>10,732</u>	<u>10,732</u>
Total assets	<u>29,843</u>	<u>29,843</u>
Deferred outflows	<u>4,716</u>	<u>4,716</u>
Liabilities and Net Position		
Liabilities		
Current		
CERS net pension liability	<u>36,240</u>	<u>36,240</u>
Total current	<u>36,240</u>	<u>36,240</u>
Net Position		
Invested in assets, net of debt	10,732	10,732
Unrestricted	<u>(12,413)</u>	<u>(12,413)</u>
Total net position	<u>\$ (1,681)</u>	<u>\$ (1,681)</u>

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Fund
Year Ended June 30, 2015**

	<u>Food Service</u>	<u>Total</u>
Operating revenues		
Lunchroom sales	\$ 33,830	\$ 33,830
Other operating revenues	1,260	1,260
	<u>35,090</u>	<u>35,090</u>
Operating expenses		
Salaries and benefits	194,269	194,269
Contract services	13,744	13,744
Materials and supplies	224,261	224,261
Depreciation	1,449	1,449
Other operating expenses	140	140
	<u>433,863</u>	<u>433,863</u>
Operating loss	<u>(398,773)</u>	<u>(398,773)</u>
Nonoperating revenues (expenses)		
Federal grants	301,597	301,597
State grants	27,792	27,792
Donated commodities and other donations	35,493	35,493
Transfers	(28,484)	(28,484)
Interest income	235	235
	<u>336,633</u>	<u>336,633</u>
Net loss	(62,140)	(62,140)
Total net position, July 1, 2014	96,699	96,699
Net position adjustment	<u>(36,240)</u>	<u>(36,240)</u>
Total net position, June 30, 2015	<u>\$ (1,681)</u>	<u>\$ (1,681)</u>

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2015**

	<u>Food Service Fund</u>	<u>Total</u>
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 33,830	\$ 33,830
Cash received from other activities	2,001	2,001
Cash payments to employees for services	(194,269)	(194,269)
Cash payments to suppliers for goods and services	(244,253)	(244,253)
Cash transfers	<u>(28,484)</u>	<u>(28,484)</u>
Net cash used in operating activities	<u>(431,175)</u>	<u>(431,175)</u>
Cash flows from noncapital financing activities		
Non-operating revenues received	<u>364,882</u>	<u>364,882</u>
Net cash provided by noncapital financing activities	<u>364,882</u>	<u>364,882</u>
Cash flows from investing activities		
Interest on investments	<u>235</u>	<u>235</u>
Net cash flows provided by investing activities	<u>235</u>	<u>235</u>
Net (decrease) in cash and cash equivalents	(66,058)	(66,058)
Cash and cash equivalents - beginning	<u>68,974</u>	<u>68,974</u>
Cash and cash equivalents - ending	<u>\$ 2,916</u>	<u>\$ 2,916</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (398,773)	\$ (398,773)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,449	1,449
Transfers	(28,484)	(28,484)
Changes in assets and liabilities:		
Increase in deferred outflows	(4,716)	(4,716)
Decrease in accounts receivable	741	741
Increase in inventories	<u>(1,392)</u>	<u>(1,392)</u>
Net cash used in operating activities	<u>\$ (431,175)</u>	<u>\$ (431,175)</u>
Schedule of non-cash transactions:		
Donated commodities received from federal government	<u>\$ 35,493</u>	<u>\$ 35,493</u>

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Fiduciary Net Position
As of June 30, 2015**

	<u>Trust/Agency Fund</u>	<u>School Activity Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 11,132	\$ 150,166	\$ 161,298
Investments	32,000	-	32,000
Total current assets	<u>43,132</u>	<u>150,166</u>	<u>193,298</u>
Liabilities			
Due to student groups	<u>-</u>	<u>150,166</u>	<u>150,166</u>
Net Position			
Held in Trust for Scholarships	<u>43,132</u>	<u>-</u>	<u>43,132</u>
Total liabilities and net assets	<u>\$ 43,132</u>	<u>\$ 150,166</u>	<u>\$ 193,298</u>

The accompanying notes are an integral part of these financial statements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bellevue Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Bellevue Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Bellevue Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Bellevue Independent School District Finance Corporation - The Board authorized the establishment of the Bellevue Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Bellevue Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-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 statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 53. This is a major fund of the District.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
- 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
- 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
- 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and 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 the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property 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. 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, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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, are not recognized in governmental funds.

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending approximately 60 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they are received by the Campbell County Sheriff, who collects taxes for the District. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost 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 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 for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 187,865	\$ -	\$ -	\$ 187,865
Land improvements	98,312	-	-	98,312
Buildings and improvements	8,237,268	-	-	8,237,268
Technology equipment	1,227,399	-	-	1,227,399
Vehicles	433,961	-	-	433,961
General equipment	225,230	-	-	225,230
Construction work in progress	-	-	-	-
Totals at historical cost	<u>10,410,035</u>	<u>-</u>	<u>-</u>	<u>10,410,035</u>
Less: accumulated depreciation				
Land improvements	97,268	874	-	98,142
Buildings and improvements	4,381,982	261,202	-	4,643,184
Technology equipment	1,080,071	54,636	-	1,134,707
Vehicles	309,086	11,283	-	320,369
General equipment	166,930	6,334	-	173,264
Total accumulated depreciation	<u>6,035,337</u>	<u>334,329</u>	<u>-</u>	<u>6,369,666</u>
Governmental activities capital assets - net	<u>\$ 4,374,698</u>	<u>\$ (334,329)</u>	<u>\$ -</u>	<u>\$ 4,040,369</u>
 <u>Business - Type Activities</u>				
General equipment	\$ 212,728	\$ -	\$ -	\$ 212,728
Technology equipment	4,774	-	-	4,774
Totals at historical cost	<u>217,502</u>	<u>-</u>	<u>-</u>	<u>217,502</u>
Less: accumulated depreciation				
General equipment	200,547	1,449	-	201,996
Technology equipment	4,774	-	-	4,774
Total accumulated depreciation	<u>205,321</u>	<u>1,449</u>	<u>-</u>	<u>206,770</u>
Business - type activities capital assets - net	<u>\$ 12,181</u>	<u>\$ (1,449)</u>	<u>\$ -</u>	<u>\$ 10,732</u>

Depreciation expense by function for the fiscal year ended June 30, 2015 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 267,220	\$ -
Staff support services	1,300	-
District administration	4,530	-
School administration	38,173	-
Plant operation and maintenance	13,992	-
Student transportation	7,554	-
Community service operations	1,560	-
Food service	-	1,449
Total	<u>\$ 334,329</u>	<u>\$ 1,449</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015 this amount totaled approximately \$163,364 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
May 2001	\$ 170,000	3.600% - 5.000%
September 1, 2006	78,242	3.500% - 3.870%
December 2007	1,380,000	3.500% - 3.800%
March 2008	960,000	2.700% - 3.800%
June 2009	790,000	2.800% - 3.400%
December 2009	168,227	1.400% - 2.800%
May 2011	640,000	3.000% - 4.300%
March 2014	95,633	2.000% - 3.000%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bellevue Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are reported in Note 16.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

Contributions

Required contributions by the employee are based on the following tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2015, was \$194,086, which consisted of \$149,702 from the District and \$44,384 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$199,819 and \$208,845, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS. The contribution requirement for KTRS for the year ended June 30, 2015, was \$543,372, which consisted of \$113,879 from the District and \$429,493 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$503,087 and \$427,728, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 1,156,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>24,267,058</u>
	<u>\$ 25,423,058</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.035635% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$154,430 related to CERS and \$1,189,135 related to KTRS. The District also recognized revenue of \$1,189,135 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 129,000
District contributions subsequent to the measurement date	<u>149,702</u>	<u>-</u>
Total	<u>\$ 149,702</u>	<u>\$ 129,000</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

\$149,702 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 25,800
2017	25,800
2018	25,800
2019	25,800
2020	25,800

Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's and CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	45%	6.40%	30%	8.45%
Non-US equity	17%	6.50%	22%	8.85%
Emerging market equity	-	-	5%	10.50%
Private equity	-	-	7%	1.25%
Core US fixed income	-	-	10%	5.25%
High yield US fixed income	-	-	5%	7.25%
Non-US fixed incomes	-	-	5%	5.50%
Commodities	-	-	5%	7.75%
TIPS	-	-	5%	5.00%
Fixed income	24%	1.60%	-	-
High yield bonds	4%	3.10%	-	-
Real estate	4%	5.80%	5%	7.00%
Alternatives	4%	6.80%	-	-
Cash	2%	1.50%	1%	3.25%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	1,521,219	1,156,000	833,321
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE 8 CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

NOTE 9 INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District obtains general insurance and unemployment insurance in accordance with the Kentucky Department of Education requirements.

NOTE 11 DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Food Service Funds	\$ 62,140
Grandview Elementary	4,612

NOTE 12 COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

NOTE 13 CONTINGENT LIABILITY

The District was a participant in the Kentucky School Board Insurance Trust in which the District purchased general liability and workers' compensation insurance. As of June 30, 2014, the District was notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$33,564. This contingent liability was paid in full during the 2015 year.

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue Funds	Matching	\$ 15,811
Capital Outlay Fund	Debt Service Fund	Debt Service	\$ 52,345
Building Fund	Debt Service Fund	Debt Service	\$ 246,733
Food Service Fund	General Fund	Indirect Cost Transfer	\$ 28,484

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2015 total payments of \$1,417,519 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 1,288,932
Debt Service Fund	104,566
Food Service Fund	<u>24,021</u>
Total On-Behalf	<u><u>\$ 1,417,519</u></u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

Fiscal Year	Bellevue Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2015-2016	\$ 251,873	\$ 68,609	\$ 320,482	\$ 75,350	\$ 29,216	\$ 104,566	\$ 425,048
2016-2017	258,747	60,394	319,141	77,839	26,728	104,567	423,708
2017-2018	259,045	51,823	310,868	80,409	24,158	104,567	415,434
2018-2019	212,973	42,574	255,547	67,203	21,416	88,619	344,166
2019-2020	215,964	34,963	250,927	68,655	18,904	87,559	338,486
2020-2021	217,587	27,118	244,705	62,206	16,481	78,687	323,392
2021-2022	60,070	22,017	82,087	44,967	14,454	59,421	141,508
2022-2023	56,943	19,688	76,631	46,700	12,723	59,423	136,053
2023-2024	60,424	17,439	77,863	48,498	10,924	59,422	137,285
2024-2025	54,635	15,039	69,674	50,365	9,056	59,421	129,095
2025-2026	52,694	12,764	65,458	52,306	7,116	59,422	124,880
2026-2027	55,680	10,564	66,244	54,320	5,101	59,421	125,665
2027-2028	58,587	8,252	66,839	56,413	3,008	59,421	126,260
2028-2029	43,800	5,830	49,630	6,200	835	7,035	56,665
2029-2030	43,533	3,947	47,480	6,467	568	7,035	54,515
2030-2031	48,256	2,075	50,331	6,744	290	7,034	57,365
	<u>\$ 1,950,811</u>	<u>\$ 403,096</u>	<u>\$ 2,353,907</u>	<u>\$ 804,642</u>	<u>\$ 200,976</u>	<u>\$ 1,005,618</u>	<u>\$ 3,359,526</u>

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2015 is as follows:

Governmental Activities	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015
Bond Obligations	<u>\$ 2,977,401</u>	<u>\$ 95,633</u>	<u>\$ 317,581</u>	<u>\$ 2,755,453</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$1,156,000 reduction in beginning net position on the Statement of Activities and an increase of \$149,702 of deferred outflows of resources – District contributions subsequent to the measurement date. As a result of GASB 68, the Food Service Fund has a negative net position of \$1,861 as of June 30, 2015.

NOTE 18 SUBSEQUENT EVENTS

Subsequent events were considered through November 13, 2015, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Construction Funds</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Government Funds</u>
Assets					
Current:					
Cash and cash equivalents	\$ 38,971	\$ 13,086	\$ -	\$ -	\$ 52,057
Total current	<u>\$ 38,971</u>	<u>\$ 13,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,057</u>
Liabilities and Fund Balances					
Fund Balances:					
Restricted:					
Capital projects fund	\$ 38,971	\$ 13,086	\$ -	\$ -	\$ 52,057
Total fund balances	<u>38,971</u>	<u>13,086</u>	<u>-</u>	<u>-</u>	<u>52,057</u>
Total liabilities and fund balances	<u>\$ 38,971</u>	<u>\$ 13,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,057</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Combining Statements of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Construction Funds</u>	<u>Building Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Taxes	\$ -	\$ -	\$ 199,141	\$ -	\$ 199,141
State sources	65,884	-	47,592	104,566	218,042
Total revenues	<u>65,884</u>	<u>-</u>	<u>246,733</u>	<u>104,566</u>	<u>417,183</u>
Expenditures:					
Debt service:					-
Principal	-	-	-	298,497	298,497
Interest	-	-	-	105,147	105,147
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,644</u>	<u>403,644</u>
Excess (deficit) of revenues over expenditures	<u>65,884</u>	<u>-</u>	<u>246,733</u>	<u>(299,078)</u>	<u>13,539</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	299,078	299,078
Operating transfers out	(52,345)	-	(246,733)	-	(299,078)
Total other financing sources(uses)	<u>(52,345)</u>	<u>-</u>	<u>(246,733)</u>	<u>299,078</u>	<u>-</u>
Net change in fund balance	13,539	-	-	-	13,539
Fund balance, July 1, 2014	<u>25,432</u>	<u>13,086</u>	<u>-</u>	<u>-</u>	<u>38,518</u>
Fund balance, June 30, 2015	<u>\$ 38,971</u>	<u>\$ 13,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,057</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 2,462,000	\$ 2,637,000	\$ 3,102,961	\$ 465,961
Earnings on investments	3,000	4,000	7,339	3,339
State sources	1,958,000	1,958,000	3,323,204	1,365,204
Federal sources	10,000	10,000	14,327	4,327
Other sources	<u>41,777</u>	<u>48,777</u>	<u>179,588</u>	<u>130,811</u>
Total revenues	<u>4,474,777</u>	<u>4,657,777</u>	<u>6,627,419</u>	<u>1,969,642</u>
Expenditures				
Instructional	2,650,875	2,692,439	3,516,433	823,994
Student support services	161,281	136,322	156,700	20,378
Staff support services	386,851	364,315	395,715	31,400
District administration	949,108	941,205	547,086	(394,119)
School administration	453,367	434,993	560,702	125,709
Business support services	318,905	319,082	419,580	100,498
Plant operation and maintenance	944,262	924,253	669,952	(254,301)
Student transportation	121,320	121,320	153,569	32,249
Food service operation	-	-	-	-
Community service operations	-	-	1,880	1,880
Other	<u>421,808</u>	<u>662,375</u>	<u>37,911</u>	<u>(624,464)</u>
Total expenditures	<u>6,407,777</u>	<u>6,596,304</u>	<u>6,459,528</u>	<u>(136,776)</u>
Net change in fund balance	(1,933,000)	(1,938,527)	167,891	2,106,418
Fund balance, July 1, 2014	<u>550,542</u>	<u>1,938,527</u>	<u>2,011,821</u>	<u>73,294</u>
Fund balance, June 30, 2015	<u>\$ (1,382,458)</u>	<u>\$ -</u>	<u>\$ 2,179,712</u>	<u>\$ 2,179,712</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 482,577	\$ 653,025	\$ 335,839	\$ (317,186)
Federal sources	367,494	1,032,160	485,167	(546,993)
Other sources	15,683	110,806	49,968	(60,838)
	<u>865,754</u>	<u>1,795,991</u>	<u>870,974</u>	<u>(925,017)</u>
Expenditures				
Instructional	471,779	948,206	419,856	(528,350)
Student support services	83,157	191,632	133,051	(58,581)
Staff support services	192,522	411,306	181,986	(229,320)
School administration	-	-	-	-
Business support services	-	-	-	-
Plant operation and maintenance	575	1,000	1,235	235
Student transportation	4,500	14,005	15,015	1,010
Community service operations	113,221	229,842	119,831	(110,011)
Other	-	-	-	-
	<u>865,754</u>	<u>1,795,991</u>	<u>870,974</u>	<u>(925,017)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2015**

	<u>Issue of 2001 KISTA</u>	<u>Issue of 2006 KISTA</u>	<u>Issue of 2007R</u>	<u>Issue of 2008</u>	<u>Issue of 2009 R</u>	<u>Issue of 2009 R KISTA</u>	<u>Issue of 2011</u>	<u>Issue of 2014 KISTA</u>	<u>Total</u>
Cash at July 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Transfers and miscellaneous deposits	16,148	9,649	167,600	67,290	96,540	21,097	34,970	12,451	425,744
Disbursements:									
Bonds paid	15,000	8,733	130,000	40,000	85,000	18,497	10,000	10,351	317,581
Interest coupons	1,148	916	37,600	27,290	11,540	2,600	24,970	2,100	108,163
Transfers and miscellaneous	-	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-	-
Total disbursements	16,148	9,649	167,600	67,290	96,540	21,097	34,970	12,451	425,744
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-
Cash at June 30, 2015	-	-	-	-	-	-	-	-	-
Accounts Receivable and Payable									
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bellevue Independent High School Activity Fund
For the Year Ended June 30, 2015**

	<u>Fund Balance July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2015</u>
ACT Prep Program	\$ 4,901	\$ 494	\$ 2,593	\$ 2,802
ACT Torch Prep Class	-	1,575	-	1,575
AP Testing	357	1,897	1,456	798
Art	237	65	234	68
Athletic Account	2,740	42,540	40,092	5,188
Baseball	79	5,153	4,486	746
Baseball Memorial Tournament	47	-	-	47
Basketball - Boys	2,590	10,650	9,413	3,827
Basketball - Girls	4,303	13,120	13,294	4,129
Basketball - MS Girls	124	746	870	-
Basketball - Youth	2,405	7,220	7,225	2,400
Bellevue Lions Club	1,000	-	-	1,000
Ben & Irene Flora Scholarship	3,159	-	500	2,659
BHS Alumni Memorial Fund	5,128	853	843	5,138
BHS Athletic Boosters Scholarship	1,000	2,000	1,000	2,000
BHS Band	500	2,265	1,950	815
BOE Reimbursements	-	3,427	3,427	-
Bumper Mendell Scholarship	2,972	1,710	-	4,682
Business Math Class	139	15	36	118
CC Retired Teachers Scholarship	1,500	500	-	2,000
Charles Grant Scholarship	-	300	-	300
Cheerleading Account	432	4,036	4,468	-
Class of 2015	125	22,737	22,862	-
Class of 2016	99	11,065	10,226	938
Class of 2017	102	23	-	125
Class of 2018	110	35	-	145
Class of 2019	43	1,865	1,857	51
Class of 2020	-	30	-	30
Cross Country	1,763	-	-	1,763
Dennis and Beth West Scholarship	500	-	-	500
Dick Jones Memorial Scholarship	2,730	-	-	2,730
District Tournament Account	-	1,584	1,308	276
Donations/Charity Account	117	2,060	1,298	879
Drama Club	888	3,219	3,119	988
Editorial Club	5	-	-	5
FBLA	484	2	-	486
FCA	65	-	-	65
Football	-	20,230	16,758	3,472
General	2,106	8,736	10,593	249

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bellevue Independent High School Activity Fund (Continued)
For the Year Ended June 30, 2015**

	Fund Balance July 1, 2014	Receipts	Disbursements	Fund Balance June 30, 2015
General Basketball Fund	\$ 5,138	\$ 5,970	\$ 7,217	\$ 3,891
General Science	549	265	141	673
General Student & Supplies	2,606	3,683	5,834	455
Girls Softball Team	1,057	500	781	776
Golf Team	342	1,955	1,970	327
Guidance - Student Trip	370	-	-	370
J Steely	7,511	6,779	4,623	9,667
J Steely - Scholarship	-	500	500	-
Jay Grainger Memorial Scholarship	2,096	-	-	2,096
Jeffrey James Scholarship	2,938	310	500	2,748
John Dooley Friendliest	750	-	500	250
John Thorwarth Club 65 Scholarship	-	2,425	-	2,425
Justin in Time Scholarship	2,500	-	1,000	1,500
Kersten O'Day VFW 2899	3,000	-	1,000	2,000
Library	163	394	389	168
Lil Hoopsters Scholars	-	250	250	-
Little Hoopsters Program	4,930	7,718	7,442	5,206
Mary Egan Memorial	991	-	-	991
Office/ General	912	908	210	1,610
Parr Family Memorial Scholarship	455	-	-	455
Paul Weber Memorial Scholarship	200	-	-	200
Pep Club	84	-	-	84
Pep Stidham Memorial Scholarship	2,395	-	-	2,395
Phys Ed. Department	119	-	-	119
Rick Heise Memorial Scholarship	-	1,000	-	1,000
Russell Madden Benefit/Scholarship	830	-	500	330
Sally Meng Memorial Fund	11,572	6,230	7,355	10,447
Sally Meng Scholarship	-	500	500	-
Soccer Team	256	1,938	1,554	640
Solar Panel Fund	121	-	-	121
Spanish Club	553	741	932	362
Special Ed.	1,040	-	-	1,040
Spirit Student Account	775	2,649	2,072	1,352
Stan Swope Scholarship	-	5	2	3
Stephanie Wilson BB Memorial	150	4,895	2,231	2,814
Stephanie Wilson Scholarship	500	-	500	-

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bellevue Independent High School Activity Fund (Continued)
For the Year Ended June 30, 2015**

	Fund Balance July 1, 2014	Receipts	Disbursements	Fund Balance June 30, 2015
STLP	\$ 50	\$ -	\$ -	\$ 50
Student Council	18	-	-	18
Student Council - MS	8	-	-	8
Student Incentives	37	5,460	4,551	946
Sunshine Fund	51	576	603	24
Swauger Basketball Tournament	-	4,003	3,881	122
Swope Family Memorial	3,949	26	500	3,475
Swope Memorial Scholarship	-	506	500	6
Tennis Team	29	119	5	143
Track Team	782	598	1,196	184
TRI M	33	-	-	33
Volleyball - Middle School	110	-	110	-
Volleyball Team	1,872	4,148	2,893	3,127
William & Janet Dosch Scholarship	-	1,980	500	1,480
Yearbook	1,050	1,162	942	1,270
Total	\$ 105,642	\$ 238,345	\$ 223,592	\$ 120,395

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
For the Year Ended June 30, 2015**

	<u>Grandview Elementary</u>	<u>Total</u>
Fund balances at July 1, 2014	\$ 34,383	\$ 34,383
Add: receipts	18,501	18,501
Less: disbursements	<u>(23,113)</u>	<u>(23,113)</u>
Fund balance at June 30, 2015	<u>\$ 29,771</u>	<u>\$ 29,771</u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – KTRS

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of the net pension liability	0%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	*	*	*	*	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	24,267,058	*	*	*	*	*	*	*	*	*
Total	\$ 24,267,058	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 3,548,887	\$ 3,690,245	\$ 3,391,195	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	45.59%	*	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – KTRS

Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 113,879	\$ 84,061	\$ 59,777	\$ 58,803	*	*	*	*	*	*
Contributions in relation to the contractually required contribution					*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(113,879)</u>	<u>(84,061)</u>	<u>(59,777)</u>	<u>(58,803)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 3,548,887	\$ 3,690,245	\$ 3,391,195	\$ 3,106,096	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	3.21%	2.28%	1.76%	1.89%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – CERS

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of net pension liability	0.035635%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 1,156,000	*	*	*	*	*	*	*	*	*
Total net pension liability	\$ 3,244,377,000	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 828,925	\$ 843,836	\$ 786,693	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.5%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	66.80%	*	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 years period.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 149,702	\$ 156,584	\$ 164,970	\$ 154,093	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(149,702)	(156,584)	(164,970)	(154,093)	*	*	*	*	*	*
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
District's covered-employee payroll	\$ 847,210	\$ 828,925	\$ 843,836	\$ 786,693	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	17.67%	18.89%	19.55%	19.59%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE June 30, 2015</u>
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education Grants to States	84.027	3810002 09	\$ (445)
Special Education Grants to States	84.027	3810002 13	35
Special Education Grants to States	84.027	3810002 14	(36,860)
Special Education Grants to States	84.027	3810002 15	200,865
Special Education Preschool Grants	84.173	3800002 13	6,437
Special Education Preschool Grants	84.173	3800002 14	4,338
Special Education Preschool Grants	84.173	3800002 15	<u>11,478</u>
Total Special Education Cluster			<u>185,848</u>
Title I Grants to Local Educational Agencies	84.010	3100002 13	12,946
Title I Grants to Local Educational Agencies	84.010	3100002 14	13,013
Title I Grants to Local Educational Agencies	84.010	3100002 15	<u>158,892</u>
Total CFDA #84.010			<u>184,851</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 13	400
Title II Improving Teacher Quality State Grants	84.367	3230002 14	2,729
Title II Improving Teacher Quality State Grants	84.367	3230002 15	<u>31,959</u>
Total CFDA #84.367			35,088
Career and Technical Education	84.048	348AB	6,828
Elementary and Secondary School Counseling Programs	84.215E	5824	72,404
School Improvement Grants	84.377	3202C	(1,529)
Education Jobs Fund	84.410	EJOB00	60
Race to the Top	84.413	4521	<u>1,617</u>
Total U.S. Department of Education			<u><u>485,167</u></u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 14	47,382
National School Lunch Program	10.555	7750002 15	191,338
School Breakfast Program	10.553	7760005 14	11,293
School Breakfast Program	10.553	7760005 15	45,095
Summer Food Service Program for Children	10.559	7690024 14	1,502
Summer Food Service Program for Children	10.559	7740023 14	14,514
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	4000814	<u>35,493</u>
Total Child Nutrition Cluster			346,617
Total U.S. Department of Agriculture			<u>346,617</u>
Total Expenditures of Federal Awards			<u><u>\$ 831,784</u></u>

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Bellevue Independent School District under programs of the federal government for the year ended June 30, 2015, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Bellevue Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2015, the District reported food commodities expended in the amount of \$35,493.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board of Education
Bellevue Independent School District
Bellevue, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bellevue Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bellevue Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bellevue Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bellevue Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bellevue Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bellevue Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the District in a separate letter dated November 13, 2015.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Education
Bellevue Independent School District
Bellevue, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Bellevue Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bellevue Independent School District's major federal programs for the year ended June 30, 2015. Bellevue Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bellevue Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bellevue Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bellevue Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bellevue Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(Continued)

Report on Internal Control Over Compliance

Management of Bellevue Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bellevue Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bellevue Independent School 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Crestview Hills, Kentucky
November 13, 2015

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

SECTION I -SUMMARY OF PRIOR YEAR AUDITORS' RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Statement of prior year deficiency: It was noted that the Food Service Department does not adhere to a budget. A budget is prepared, but is not reviewed by anyone outside of the Food Service Director. Large variances between budgeted and actual expenses were noted that had not been explained.

Current year follow-up: There were no such instances noted in the current year.

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

BELLEVUE INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2015**

In planning and performing our audit of the financial statements of Bellevue Independent School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2015 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2015, on the financial statements of the Bellevue Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Bellevue Independent High School

No matters are reportable

Grandview Elementary

No matters are reportable

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Bellevue Independent High School

Statement of prior year deficiency:

- It was noted that invoices were not being canceled and marked as canceled when the disbursements are made.

Current year follow-up: There were no such instances noted in the current year.

Grandview Elementary

No matters are reportable