

**BELLEVUE INDEPENDENT SCHOOL
DISTRICT**

June 30, 2013

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT INCLUDING SUPPLEMENTARY INFORMATION*

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis (MD&A)	1 - 5
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the District-Wide Statement of Activities	11
Statement of Net Position – Proprietary Funds	12
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	14
Statement of Fiduciary Net Position – Fiduciary Funds	15
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	16
Notes to the Financial Statements	17 - 30

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS
(Continued)**

	PAGE
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	31
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Funds	32
Other Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	34
Statement of Receipts, Disbursements and Fund Balances – Bond and Interest Redemption Funds	35
Statements of Receipts, Disbursements and Fund Balances – Bellevue High School Activity Funds	36 - 37
Statements of Receipts, Disbursements and Fund Balances – Other School Activity Funds	38
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41
Board Members and Administrative Personnel	42
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	43 - 44
Independent Auditors' Report on Compliance for Each Major Program and an Internal Control Over Compliance Required by OMB Circular A-133	45 - 46
Management Letter Comments	47

INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits and
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, 2013, 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; the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. 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 auditors' 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 auditors consider 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, 2013, 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.

Other Matters

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 on pages 1–5 and pages 31 - 32 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 other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB 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, other supplementary information, 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, other supplementary information 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 8, 2013, 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, 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 the Bellevue Independent School District's internal control over financial reporting and compliance.

VonLehman & Company Inc.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

As management of 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, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

Financial Highlights

- The beginning cash balance for the District was \$1,870,414.
- The District remains committed to retaining quality teachers with 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.
- The General Fund had \$6,074,102 (excluding inter-fund transfers of \$11,012) in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes and motor vehicle taxes. The General Fund had expenditures of \$6,032,570 (excluding inter-fund transfers of \$26,416).
- The Bellevue waterfront on the Ohio River is completed and the Bellevue Independent School District should realize that there will be new tax revenue generated for the District. However, it should be noted that the District continues to experience declining enrollment, which consequently reflects a decrease in SEEK funding.
- SEEK for the current Biennium Budget in FY2012-2013 and FY2013-2014 has been projected to be a 1.85% to 5% reduction over the past Biennium Budget. Federal and state grants have had as much as a 5% reduction over prior year awards. All areas of the Biennium Budget for the District have been addressed to reduce spending to offset these future cuts that will come from state revenue.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(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 comprise 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 are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 6 and 7 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 funds are our 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 8 through 16 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 17 through 30 of this report.

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 \$3,074,709 as of June 30, 2013.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The largest portion of the District's Net Position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are 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, 2013 and 2012

	June 30,	
	2013	2012
Current Assets	\$ 2,215,313	\$ 2,252,773
Noncurrent Assets	4,453,922	4,741,706
Total Assets	6,669,235	6,994,479
Current Liabilities	434,699	524,571
Noncurrent Liabilities	3,159,827	3,486,128
Total Liabilities	3,594,526	4,010,699
Investment in Capital Assets (Net of Debt)	1,175,203	1,147,548
Nonspendable	-	11,484
Restricted	13,490	186,895
Unrestricted	1,886,016	1,637,853
Total Net Assets	\$ 3,074,709	\$ 2,983,780

Comments on Budget Comparisons

- The District's total general revenues for the fiscal year ended June 30, 2013, net of inter-fund transfers, were \$6,447,926.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,646,730 in excess of budget, or approximately 21.5%. This is partially a result of the District recording "on behalf" payments made by the state.
- The total cost of all programs and services, net of inter-fund transfers, in the General Fund, was \$6,032,570.
- General fund actual expenditures were more than budgeted expenditures by \$304,284. This is mainly a result of the District recording "on behalf" payments made by the state.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2013 and 2012.

	June 30,	
	2013	2012
Revenues		
Program Revenues		
Charges for Services	\$ 67,846	\$ 74,327
Operating Grants and Contributions	1,360,038	1,425,414
Capital Grants and Contributions	-	120,960
Total Program Revenues	1,427,884	1,620,701
General Revenues		
Property Taxes	2,885,114	2,904,077
Grants and Entitlements	3,450,975	3,265,128
Earnings on Investments	7,490	7,976
Miscellaneous	104,347	178,502
Total General Revenues	6,447,926	6,355,683
Total Revenues	7,875,810	7,976,384
Expenses		
Instruction	3,867,004	3,978,846
Student Support Services	220,450	227,931
Staff Support Services	569,427	571,116
District Administration	558,515	561,291
School Administration	531,221	647,373
Business Support	371,032	259,843
Plant Operations	583,758	607,687
Student Transportation	59,064	71,333
Community Services	125,842	127,594
Facility Acquisition and Construction	-	639,707
Interest on Long-Term Debt	124,382	90,602
Depreciation, Unallocated	293,960	-
Food Service	420,429	461,980
Other	-	5,300
Total Expenses	7,725,084	8,250,603
Revenue in Excess (Deficit) of Expenses	\$ 150,726	\$ (274,219)

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Capital Assets

At the end of the fiscal year 2013, the District had a total of approximately \$4.4 million in capital assets, net of accumulated depreciation, including approximately \$4.4 million for governmental activities and approximately \$14,000 for business type activities. Current year capital assets additions totaled approximately \$69,000.

Debt

At June 30, 2013, the District had approximately \$3.3 million in outstanding bonds. There were no new bond issuances during fiscal year 2013.

Budgetary Implications

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$393,704 in contingency (6.3%). The beginning cash balance for beginning the fiscal year is \$1,870,414. Significant Board action that impacts the finances include a minimum 1% pay raise for all employees.

Contacting the District's Financial Management

Questions regarding this report should be directed to the Superintendent, Mr. Wayne Starnes, at (859)261-2108 or by mail at Bellevue Independent School District, 219 Center Street, Bellevue, Kentucky 41073.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,988,471	\$ 51,034	\$ 2,039,505
Accounts Receivable	129,169	35,155	164,324
Inventories for Consumption	-	11,484	11,484
Total Current Assets	<u>2,117,640</u>	<u>97,673</u>	<u>2,215,313</u>
Noncurrent Assets			
Land	175,987	-	175,987
Depreciable Capital Assets			
Land Improvements	98,132	-	98,132
Buildings and Improvements	8,185,768	-	8,185,768
Furniture and Equipment	1,677,658	217,502	1,895,160
Less Accumulated Depreciation	<u>(5,697,254)</u>	<u>(203,871)</u>	<u>(5,901,125)</u>
Total Noncurrent Assets	<u>4,440,291</u>	<u>13,631</u>	<u>4,453,922</u>
Total Assets	<u>6,557,931</u>	<u>111,304</u>	<u>6,669,235</u>
Liabilities			
Current Liabilities			
Current Portion of Bonds Payable	301,318	-	301,318
Current Portion of Accrued Sick Leave	30,000	-	30,000
Accounts Payable	2,032	-	2,032
Accrued Payroll and Related Expenses	2,633	-	2,633
Accrued Interest	23,136	-	23,136
Deferred Revenues	<u>75,580</u>	<u>-</u>	<u>75,580</u>
Total Current Liabilities	<u>434,699</u>	<u>-</u>	<u>434,699</u>
Noncurrent Liabilities			
Accrued Sick Leave	182,426	-	182,426
Bonds Payable	<u>2,977,401</u>	<u>-</u>	<u>2,977,401</u>
Total Noncurrent Liabilities	<u>3,159,827</u>	<u>-</u>	<u>3,159,827</u>
Total Liabilities	<u>3,594,526</u>	<u>-</u>	<u>3,594,526</u>
Net Position			
Invested in Capital Assets, Net of Related Debt Restricted for	1,161,572	13,631	1,175,203
Capital Projects	13,490	-	13,490
Unrestricted	<u>1,788,343</u>	<u>97,673</u>	<u>1,886,016</u>
Total Net Position	<u>\$ 2,963,405</u>	<u>\$ 111,304</u>	<u>\$ 3,074,709</u>

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

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	\$ 3,867,004	\$ -	\$ 582,572	\$ -	\$ (3,284,432)	\$ -	\$ (3,284,432)
Support Services							
Student	220,450	-	23,325	-	(197,125)	-	(197,125)
Instructional Staff	569,427	-	179,904	-	(389,523)	-	(389,523)
District Administration	558,515	-	-	-	(558,515)	-	(558,515)
School Administration	531,221	-	-	-	(531,221)	-	(531,221)
Business	371,032	-	-	-	(371,032)	-	(371,032)
Plant Operation and Maintenance	583,758	-	10,202	-	(573,556)	-	(573,556)
Student Transportation	59,064	-	9,776	-	(49,288)	-	(49,288)
Community Services	125,842	-	125,842	-	-	-	-
Depreciation, Unallocated	293,960	-	-	-	(293,960)	-	(293,960)
Interest on Long-Term Debt	124,382	-	66,650	-	(57,732)	-	(57,732)
Total Governmental Activities	<u>7,304,655</u>	<u>-</u>	<u>998,271</u>	<u>-</u>	<u>(6,306,384)</u>	<u>-</u>	<u>(6,306,384)</u>
Business-Type Activities							
Food Service	420,429	67,846	361,767	-	-	9,184	9,184
Total School District	<u>\$ 7,725,084</u>	<u>\$ 67,846</u>	<u>\$ 1,360,038</u>	<u>\$ -</u>	<u>(6,306,384)</u>	<u>9,184</u>	<u>(6,297,200)</u>
General Revenues							
Taxes					2,885,114	-	2,885,114
Federal and State Aid not Restricted to Specific Purposes					3,450,975	-	3,450,975
Operating Transfers In (Out)					26,416	(26,416)	-
Investment Earnings					6,975	515	7,490
Miscellaneous					103,468	879	104,347
Total General Revenues					<u>6,472,948</u>	<u>(25,022)</u>	<u>6,447,926</u>
Change in Net Position					166,564	(15,838)	150,726
Net Position July 1, 2012, As Restated					<u>2,796,841</u>	<u>127,142</u>	<u>2,923,983</u>
Net Position June 30, 2013					<u>\$ 2,963,405</u>	<u>\$ 111,304</u>	<u>\$ 3,074,709</u>

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
Assets				
Cash (Overdraft) and and Cash Equivalents	\$ 2,008,622	\$ (33,237)	\$ 13,086	\$ 1,988,471
Accounts Receivable	20,352	108,817	-	129,169
Total Assets	\$ 2,028,974	\$ 75,580	\$ 13,086	\$ 2,117,640
 Liabilities and Fund Balances				
Accounts Payable	\$ 2,032	\$ -	\$ -	\$ 2,032
Accrued Payroll and and Related Expense	2,633	-	-	2,633
Deferred Revenues	-	75,580	-	75,580
Total Liabilities	4,665	75,580	-	80,245
 Fund Balances				
Restricted				
Construction Fund	404	-	13,086	13,490
Committed				
Accumulated Sick Leave	73,295	-	-	73,295
Unassigned	1,950,610	-	-	1,950,610
Total Fund Balances	2,024,309	-	13,086	2,037,395
 Total Liabilities and Fund Balances	 \$ 2,028,974	 \$ 75,580	 \$ 13,086	 \$ 2,117,640

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2013**

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

Total Governmental Funds Balance	\$	2,037,395
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Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 10,137,545	
Accumulated Depreciation	<u>(5,697,254)</u>	
		4,440,291

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	(3,278,719)	
Accrued Interest on Bonds	(23,136)	
Accumulated Sick Leave	<u>(212,426)</u>	
		<u>(3,514,281)</u>

Total Net Position - Governmental Activities	\$	<u><u>2,963,405</u></u>
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See accompanying notes.

BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 2,681,366	\$ -	\$ 203,748	\$ 2,885,114
Earnings on Investments	6,975	-	-	6,975
State Sources	3,338,808	300,849	246,344	3,886,001
Federal Sources	11,533	551,712	-	563,245
Other Sources	35,420	68,048	-	103,468
	<u>6,074,102</u>	<u>920,609</u>	<u>450,092</u>	<u>7,444,803</u>
Expenditures				
Instructional	3,305,095	582,572	-	3,887,667
Support Services				
Student	197,125	23,325	-	220,450
Instructional Staff	389,523	179,904	-	569,427
District Administration	558,515	-	-	558,515
School Administration	531,221	-	-	531,221
Business	364,826	-	6,206	371,032
Plant Operation and Maintenance	627,394	10,202	13,648	651,244
Student Transportation	49,288	9,776	-	59,064
Community Services	-	125,842	-	125,842
Debt Service				
Principal	-	-	315,439	315,439
Interest	9,583	-	114,799	124,382
	<u>6,032,570</u>	<u>931,621</u>	<u>450,092</u>	<u>7,414,283</u>
Excess (Deficit) of Revenues Over Expenditures	<u>41,532</u>	<u>(11,012)</u>	<u>-</u>	<u>30,520</u>
Other Financing Sources (Uses)				
Operating Transfers In	26,416	11,012	-	37,428
Operating Transfers Out	(11,012)	-	-	(11,012)
	<u>15,404</u>	<u>11,012</u>	<u>-</u>	<u>26,416</u>
Net Change in Fund Balance	56,936	-	-	56,936
Fund Balance July 1, 2012	<u>1,967,373</u>	<u>-</u>	<u>13,086</u>	<u>1,980,459</u>
Fund Balance June 30, 2013	<u>\$ 2,024,309</u>	<u>\$ -</u>	<u>\$ 13,086</u>	<u>\$ 2,037,395</u>

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Net Changes in Total Fund Balances Per Fund Financial Statements \$ 56,936

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

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 depreciation expense exceed capital outlays for the year.

Depreciation Expense	\$ (293,960)	
Capital Outlays	<u>67,486</u>	(226,474)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 315,439

Generally, expenditures recognized in this fund financial statement are limited to those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. 20,663

Change in Net Position of Governmental Activities \$ 166,564

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	Food Service Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 51,034
Accounts Receivables	35,155
Inventories for Consumption	<u>11,484</u>
Total Current Assets	<u>97,673</u>
Noncurrent Assets	
Furniture and Equipment	217,502
Less Accumulated Depreciation	<u>(203,871)</u>
Total Noncurrent Assets	<u>13,631</u>
Total Assets	<u><u>\$ 111,304</u></u>
 Liabilities	
Current Liabilities	
Accounts Payable	\$ <u>-</u>
Total Current Liabilities	<u>-</u>
 Net Position	
Invested in Assets, Net of Debt	13,631
Unrestricted	<u>97,673</u>
Total Net Position	<u>111,304</u>
Total Liabilities and Net Position	<u><u>\$ 111,304</u></u>

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Food Service Fund
Operating Revenues	
Lunchroom Sales	\$ 67,846
Other Operating Revenues	879
	879
Total Operating Revenues	68,725
Operating Expenses	
Salaries and Benefits	203,879
Contract Services	11,864
Materials and Supplies	203,074
Depreciation	1,513
Other Operating Expenses	99
	99
Total Operating Expenses	420,429
Operating Loss	(351,704)
Non-Operating Revenues (Expenses)	
Federal Grants	316,110
State Grants	38,157
Donated Commodities and Other Donations	7,500
Transfers	(26,416)
Interest Income	515
	515
Total Non-Operating Revenues (Expenses)	335,866
Net Loss	(15,838)
Net Position July 1, 2012	127,142
Net Position June 30, 2013	\$ 111,304

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Lunchroom Sales	\$ 68,816
Cash Received from Other Activities	879
Cash Payments to Employees for Services	(203,879)
Cash Payments to Suppliers for Goods and Services	(207,537)
Cash Transfers	<u>(26,416)</u>
Net Cash Used by Operating Activities	<u>(368,137)</u>
Cash Flows from Capital Financing Activities	
Acquisition of Capital Assets	<u>-</u>
Cash Flows from Non Capital Financing Activities	
Federal and State Grants	<u>325,680</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>515</u>
Net Decrease in Cash and Cash Equivalents	(41,942)
Cash and Cash Equivalents, Beginning of Year	<u>92,976</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 51,034</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (351,704)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	1,513
Donated Commodities Received from Federal Government	7,500
Interfund Transfers	(26,416)
Change in Assets and Liabilities	
Decrease in Accounts Receivable	<u>970</u>
Net Cash Used by Operating Activities	<u><u>\$ (368,137)</u></u>
Schedule of Non-Cash Transactions	
Donated Commodities Received from Federal Government	<u><u>\$ 7,500</u></u>

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private- Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 11,108	\$ 137,011
Investments	32,000	-
Accounts Receivable	-	-
	<u> </u>	<u> </u>
Total Assets	<u>43,108</u>	<u>137,011</u>
Liabilities		
Accounts Payable	-	-
Due to Student Groups	-	137,011
	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>137,011</u>
Net Position		
Held in Trust for Scholarships	<u>43,108</u>	<u>-</u>
Total Net Position	<u><u>\$ 43,108</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013**

	Private- Purpose Trust Fund
Additions	
Donations	\$ -
Interest	171
	171
Total Additions	171
 Deductions	
Instruction	-
Scholarship Disbursements	-
	-
Total Liabilities	-
Change in Net Position	171
 Net Position July 1, 2012	42,937
 Net Position June 30, 2013	\$ 43,108

See accompanying notes.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bellevue Independent Board of Education (the 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 (the 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 Band Boosters, 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 Nonprofit, Non-Stock, Public and Charitable Corporation organized under the School Bond Act, 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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. Non-major 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 net total assets. 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 page 40. This is a major fund of the District.
- (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).
 - 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.
 - 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.
 - The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

II. Proprietary Fund Types (Enterprise Fund)

- (A) 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). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

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.

III. Fiduciary Fund Type (Agency and Trust Funds)

- (A) 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 the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Fund accounts for funds used for various scholarship programs administered by the District on behalf of third-party donors.

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.

Non-exchange 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 non-exchange transactions must also be available before they can be recognized.

Deferred Revenue - Deferred 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 deferred revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in Net Position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, 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 District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

Budgetary Process

Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (U.S. GAAP). The major differences between the budgetary basis and the U.S. GAAP basis are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (U.S. GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (U.S. 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 position, 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 position and in the respective funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 \$1,000, with the exception of computers, digital cameras and real property, for which there is no threshold. 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:

Buildings and Improvements	25-50 Years
Land Improvements	20 Years
Technology Equipment	5 Years
Vehicles	5 - 10 Years
Audio-Visual Equipment	15 Years
Food Service Equipment	10-12 Years
Furniture and Fixtures	7 Years
Other	10 Years

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 the 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 statement of net position, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

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:

- *Non-spendable 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

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 its use either through the enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

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.

Estimates

The process of preparing 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, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the District had on deposit, cash and cash equivalents totaling \$2,525,782. Of the total cash balance, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC), with the remainder covered by a collateral agreement held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity date of 90 days or less.

Cash and cash equivalents at June 30, 2013, consist of the following:

<u>Bank Balance</u>	<u>Book Balance</u>
\$ <u>2,525,782</u>	\$ <u>2,219,626</u>

Allocation per financial statements:

Governmental Funds	\$ 1,988,471
Proprietary Funds	51,034
Trust Funds	43,108
Activity Funds	<u>137,013</u>
	<u>\$ 2,219,626</u>

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities				
Land	\$ 175,987	\$ -	\$ -	\$ 175,987
Land Improvements	98,132	-	-	98,132
Buildings & Improvements	8,185,768	-	-	8,185,768
Technology Equipment	1,106,331	64,687	-	1,171,018
Vehicles	340,111	-	-	340,111
General Equipment	163,730	2,799	-	166,529
Total at Historical Cost	<u>10,070,059</u>	<u>67,486</u>	<u>-</u>	<u>10,137,545</u>
Less Accumulated Depreciation				
Land Improvements	96,237	257	-	96,494
Buildings & Improvements	3,900,418	228,944	-	4,129,362
Technology Equipment	958,430	53,393	-	1,011,823
Vehicles	287,461	10,342	-	297,803
General Equipment	160,748	1,024	-	161,772
Total Accumulated Depreciation	<u>5,403,294</u>	<u>293,960</u>	<u>-</u>	<u>5,697,254</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,666,765</u>	<u>\$ (226,474)</u>	<u>\$ -</u>	<u>\$ 4,440,291</u>
Business-Type Activities				
Technology Equipment	\$ 4,774	\$ -	\$ -	\$ 4,774
General Equipment	212,728	-	-	212,728
Total at Historic Cost	<u>217,502</u>	<u>-</u>	<u>-</u>	<u>217,502</u>
Less Accumulated Depreciation				
Technology Equipment	4,774	-	-	4,774
General Equipment	197,584	1,513	-	199,097
Total Accumulated Depreciation	<u>202,358</u>	<u>1,513</u>	<u>-</u>	<u>203,871</u>
Business-Type Activities Capital Assets, Net	<u>\$ 15,144</u>	<u>\$ (1,513)</u>	<u>\$ -</u>	<u>\$ 13,631</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 4 - BONDS PAYABLE

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Bellevue Independent School District Finance Corporation.

The District, through the General Fund, (including Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (the Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below 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 outstanding has been recorded in the financial statements.

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2013 are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest</u>	<u>Board's Portion</u>	<u>Outstanding Balance at June 30, 2013</u>
May 2001	\$ 170,000	3.60 - 5.00 %	\$ 170,000	\$ 45,000
June 2003	725,000	2.25	525,272	-
July 2003	105,000	1.50 - 4.05	105,000	-
September 2006	78,242	3.50 - 3.87	78,242	32,565
December 2007	1,380,000	3.50 - 3.80	1,133,682	1,220,000
March 2008	960,000	2.70 - 3.80	220,663	785,000
June 2009	790,000	1.40 - 2.80	656,042	450,000
December 2009	168,227	1.00 - 3.25	168,227	116,154
May 2011	640,000	3.00 - 4.30	544,648	<u>630,000</u>
				<u>\$ 3,278,719</u>

NOTE 4 - BONDS PAYABLE (Continued)

All issues may be called prior to maturity at dates and redemption premiums 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, 2013 for debt service (principal and interest) are as follows:

Fiscal Year	Bellevue Independent School District		KY School Facilities Construction Commission		Total Requirements
	Principal	Interest	Principal	Interest	
2013-2014	\$ 227,957	\$ 81,997	\$ 73,361	\$ 33,735	\$ 417,050
2014-2015	234,230	74,497	73,000	31,566	413,293
2015-2016	241,313	66,687	75,350	29,216	412,566
2016-2017	249,685	58,683	77,839	26,728	412,935
2017-2018	249,809	50,293	80,409	24,158	404,669
2018-2019	203,563	41,229	67,203	21,416	333,411
2019-2020	206,345	33,806	68,655	18,904	327,710
2020-2021	207,794	26,154	62,206	16,481	312,635
2021-2022	50,033	21,261	44,967	14,454	130,715
2022-2023	48,300	19,183	46,700	12,723	126,906
2023-2024	51,502	17,171	48,498	10,924	128,095
2024-2025	54,635	15,039	50,365	9,056	129,095
2025-2026	52,694	12,764	52,306	7,116	124,880
2026-2027	55,680	10,564	54,320	5,101	125,665
2027-2028	58,587	8,252	56,413	3,008	126,260
2028-2029	43,800	5,830	6,200	835	56,665
2029-2030	43,533	3,947	6,467	568	54,515
2030-2031	48,256	2,076	6,744	290	57,366
	<u>\$ 2,327,716</u>	<u>\$ 549,433</u>	<u>\$ 951,003</u>	<u>\$ 266,279</u>	<u>\$ 4,094,431</u>

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2013.

	Amount of Debt Outstanding July 1, 2012	Additions of New Debt	Repayments	Debt Outstanding June 30, 2013	Amount Expected to be Paid Within One Year
Governmental Activities					
General Obligation Bonds	\$ 3,594,158	\$ -	\$ 315,439	\$ 3,278,719	\$ 301,318

The repayment of general obligation bonds includes the following:

Paid by the District	\$ 224,752
Paid by the Kentucky School Facility Construction Commission	<u>90,687</u>
	<u>\$ 315,439</u>

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, 2013, this amount totaled approximately \$212,426 for those employees with twenty-seven or more years of experience. The Board has reserved \$73,295 of its General Fund for unpaid sick leave benefits.

Changes in the District's compensated absences during fiscal year 2013 were as follows:

	<u>Balance</u> June 30, 2012	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> June 30, 2013	<u>Amount</u> <u>Expected</u> <u>to be Paid</u> <u>Within</u> <u>One Year</u>
Governmental Activities					
Accumulated Sick Leave	\$ 230,454	\$ -	\$ 18,028	\$ 212,426	\$ 30,000

The accumulated sick leave liability will be liquidated by the General Fund.

NOTE 6 - COMMITMENTS UNDER NONCAPITALIZED LEASES

The District leases equipment under operating leases expiring in years through 2017. Minimum future lease payments under operating lease agreements for equipment as of June 30, 2013, are as follows:

<u>Years Ending</u> <u>June 30,</u>	
2014	\$ 19,860
2015	19,860
2016	19,860
2017	<u>3,310</u>
	<u>\$ 62,890</u>

NOTE 7 - RETIREMENT PLANS

The District's total payroll for the year was \$4,342,058. The payroll for employees covered under the following plans totaled \$3,991,195.

Kentucky Teachers' Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by, and operating under, Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school board. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

NOTE 7 - RETIREMENT PLANS (Continued)

Kentucky Teachers' Retirement System (Continued)

Participating employees contribute 10.355% of creditable compensation. Matching contributions are made by the state. These on behalf payments are reflected in the District's financial records and amounted to \$27,346 for 2013. The matching contributions are paid by the federal program for any salaries paid by that program. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems. The District contributed 14.105% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2013. In addition, the District contributed 1.0% of the employee's compensation to the retiree medical insurance fund for employees who are not in federally funded positions.

The District's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$427,728 (composed of \$59,777 from the Board and \$367,951 from the employees, \$416,840 and \$327,595, respectively; 100% has been contributed for fiscal years 2013, 2012, and 2011.

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS) which is a cost sharing, multiple-employer public employee's retirement system created by, and operating under, Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

Participating employees hired before September 1, 2008 contribute 5.0% of the creditable compensation, while participating employees hired after that day contribute 6% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus 1.0% of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The District contributed 19.55% of the employee's compensation during the fiscal year ended June 30, 2013.

The District's required contributions for pension obligations to CERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$208,845 (composed of \$164,970 from the District and \$43,875 from the employees), \$195,689 and \$166,880, respectively; 100% has been contributed for fiscal years 2013, 2012, and 2011

NOTE 8 - CONTINGENCIES

The District receives funding from federal, state, and local government agencies as well as private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not been used for the intended purpose, the grantor 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.

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 workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs, and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Kentucky School Boards Insurance Trust (the Trust) is currently facing some financial distress, and its liabilities exceed its assets. The Trust had proposed assessing participants in the Liability Insurance Fund and the Unemployment Compensation Fund a total of \$70 million to cover the Trusts' unfunded liabilities. Subsequent to year end, the Kentucky Department of Insurance filed a motion to seize control of the Trust and proposed a plan to resolve the unfunded liability through a smaller assessment. The effect of that motion and the ultimate outcome of the proposed assessment are unknown as of the date of these financial statements. As a result, no accrual has been made for the District's share of any proposed assessment in the accompanying financial statements.

NOTE 11 - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Food Service	General	Indirect Cost	\$ 26,416
General	Special Revenue	Matching	\$ 11,012

NOTE 12 - ON-BEHALF PAYMENTS

For the year ended June 30, 2013 total payments of \$1,311,233 were made for life insurance, health insurance, KTRS matching, KSFCC bond payments 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		\$ 1,150,435
Food Service		\$ 34,114
Debt Service		\$ 126,684

NOTE 13 - EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Application of these standards required restatement of portions of these financial statements as follows:

Net Position, July 1, 2012, as Previously Reported		\$ 2,856,638
Expense Bond Issuances Costs Previously Capitalized		<u>(59,797)</u>
Net Position, July 1, 2012 as Restated		<u>\$ 2,796,841</u>

NOTE 14 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is November 8, 2013, which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 2,367,000	\$ 2,367,000	\$ 2,681,366	\$ 314,366
Other Local Sources	19,500	19,500	6,975	(12,525)
State Sources	2,008,000	2,008,000	3,338,808	1,330,808
Federal Sources	10,000	10,000	11,533	1,533
Other Sources	22,872	22,872	35,420	12,548
Total Revenues	4,427,372	4,427,372	6,074,102	1,646,730
Expenditures				
Instructional	2,510,678	2,510,678	3,305,095	(794,417)
Support Services				
Student	146,564	146,564	197,125	(50,561)
Instructional Staff	381,978	381,978	389,523	(7,545)
District Administration	1,039,825	1,039,825	558,515	481,310
School Administration	426,631	426,631	531,221	(104,590)
Business	305,267	305,267	364,826	(59,559)
Plant Operation and Maintenance	988,900	988,900	627,394	361,506
Student Transportation	116,903	116,903	49,288	67,615
Community Services	-	-	-	-
Debt Service	-	-	9,583	(9,583)
Contingency	393,704	393,704	-	393,704
Transfers	11,000	11,000	(15,404)	26,404
Total Expenditures	6,321,450	6,321,450	6,017,166	304,284
Net Change in Fund Balance	(1,894,078)	(1,894,078)	56,936	1,951,014
Fund Balance July 1, 2012	1,894,078	1,894,078	1,967,373	73,295
Fund Balance June 30, 2013	\$ -	\$ -	\$ 2,024,309	\$ 2,024,309

BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Other Local Sources	-	-	-	-
State Sources	332,970	332,970	300,849	(32,121)
Federal Sources	503,926	503,926	551,712	47,786
Other Sources	41,106	41,106	68,048	26,942
	<u>878,002</u>	<u>878,002</u>	<u>920,609</u>	<u>42,607</u>
Expenditures				
Instructional	507,530	507,530	582,572	(75,042)
Support Services				
Student	53,801	53,801	23,325	30,476
Instructional Staff	201,024	201,024	179,904	21,120
District Administration	-	-	-	-
School Administration	-	-	-	-
Business	-	-	-	-
Plant Operation and Maintenance	4,000	4,000	10,202	(6,202)
Student Transportation	9,060	9,060	9,776	(716)
Community Services	113,587	113,587	125,842	(12,255)
Debt Service	-	-	-	-
Contingency	-	-	-	-
Transfers	(11,000)	(11,000)	(11,012)	12
	<u>878,002</u>	<u>878,002</u>	<u>920,609</u>	<u>(42,607)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER SUPPLEMENTARY INFORMATION

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013**

	Capital Outlay Fund	Construction Fund	Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets					
Cash and Cash Equivalents	\$ -	\$ 13,086	\$ -	\$ -	\$ 13,086
Accounts Receivable	-	-	-	-	-
	-	-	-	-	-
Total Assets	\$ -	\$ 13,086	\$ -	\$ -	\$ 13,086
 Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
Total Liabilities	-	-	-	-	-
 Fund Balances					
Restricted					
Construction	-	13,086	-	-	13,086
Unassigned	-	-	-	-	-
	-	-	-	-	-
Total Fund Balance	-	13,086	-	-	13,086
Total Liabilities and Fund Balances	\$ -	\$ 13,086	\$ -	\$ -	\$ 13,086

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

	Capital Outlay Fund	Construction Fund	Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ -	\$ -	\$ 203,748	\$ -	\$ 203,748
State Sources	69,926	-	49,735	126,683	246,344
Other Sources	-	-	-	-	-
Total Revenues	<u>69,926</u>	<u>-</u>	<u>253,483</u>	<u>126,683</u>	<u>450,092</u>
Expenditures					
Support Services					
Business	6,206	-	-	-	6,206
Plant Operation and Maintenance	13,648	-	-	-	13,648
Debt Service	<u>50,072</u>	<u>-</u>	<u>253,483</u>	<u>126,683</u>	<u>430,238</u>
Total Expenditures	<u>69,926</u>	<u>-</u>	<u>253,483</u>	<u>126,683</u>	<u>450,092</u>
Excess (Deficit) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balance July 1, 2012	<u>-</u>	<u>13,086</u>	<u>-</u>	<u>-</u>	<u>13,086</u>
Fund Balance June 30, 2013	<u>\$ -</u>	<u>\$ 13,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,086</u>

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BOND AND INTEREST REDEMPTION FUNDS
YEAR ENDED JUNE 30, 2013**

	<u>Issue of 2001</u>	<u>Issue of 2003R</u>	<u>Issue of 2003K</u>	<u>Issue of 2006</u>	<u>Issue of 2007</u>	<u>Issue of 2008</u>	<u>Issue of 2009R</u>	<u>Issue of 2009K</u>	<u>Issue of 2011</u>	<u>Total</u>
Cash Balances at July 1, 2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts										
Transfers and Miscellaneous Deposits	17,633	80,900	15,304	9,583	100,270	64,250	100,748	20,713	30,420	439,821
Disbursements										
Bonds Paid	15,000	80,000	15,000	8,070	55,000	35,000	85,000	17,369	5,000	315,439
Interest Coupons	2,633	900	304	1,513	45,270	29,250	15,748	3,344	25,420	124,382
Transfers and Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Disbursements	17,633	80,900	15,304	9,583	100,270	64,250	100,748	20,713	30,420	439,821
Excess of Receipts Over Disbursements	-	-	-	-	-	-	-	-	-	-
Cash Balance at June 30, 2013	-	-	-	-	-	-	-	-	-	-
Accounts Receivable and Payable										
Due from Other Funds	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-	-
Total Accounts Receivable and Payable	-	-	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BELLEVUE HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2013**

Fund Accounts	Cash Balances July 1, 2012	Receipts	Disburse- ments	Cash Balances June 30, 2013	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2013
ACT Prep Program	\$ 1,837	\$ 2,750	\$ 1,362	\$ 3,225	\$ -	\$ -	\$ 3,225
All A State Tournament	-	7,640	7,640	-	-	-	-
APSCI Science Fee	65	-	65	-	-	-	-
Art Class	471	165	223	413	-	-	413
Athletic Account	13	41,022	37,710	3,325	-	-	3,325
Bellevue Lions Club	1,000	-	-	1,000	-	-	1,000
Ben and Irene Flora Scholarship	3,159	-	-	3,159	-	-	3,159
BHS Alumni Memorial Book Fund	3,877	1,475	697	4,655	-	-	4,655
BHS Athletic Boosters Scholarship	500	1,500	-	2,000	-	-	2,000
BHS Band	282	5,756	5,699	339	-	-	339
Baseball Team	112	3,242	2,920	434	-	-	434
Baseball Tournament Account	47	-	-	47	-	-	47
Biology Science Fee	100	-	100	-	-	-	-
Board of Ed Reimbursement	-	5,139	5,139	-	-	-	-
Boys Basketball Team	1,431	6,373	4,879	2,925	-	-	2,925
Bumper Mendell Scholarship	625	199	750	74	-	-	74
Business Math Class	6	148	75	79	-	-	79
Charles Grant Scholarship	300	-	-	300	-	-	300
Cheerleaders-Varsity and Reserve	1,507	3,056	1,942	2,621	-	-	2,621
Chemistry Science Fee	80	-	80	-	-	-	-
Class of 2012	615	334	949	-	-	-	-
Class of 2013	11	22,089	21,899	201	-	-	201
Class of 2014	539	9,198	9,116	621	-	-	621
Class of 2015	78	99	162	15	-	-	15
Class of 2016	302	53	120	235	-	-	235
Class of 2017	35	4,545	4,508	72	-	-	72
Class of 2018	-	40	-	40	-	-	40
Cross Country	362	3,804	3,665	501	-	-	501
David Moore Memorial Scholarship	161	-	-	161	-	-	161
Dennis And Beth West Scholarship	500	-	-	500	-	-	500
Dick Jones Memorial Scholarship	2,930	-	-	2,930	-	-	2,930
Donations/Charity	338	455	775	18	-	-	18
Drama Club	881	1,579	1,483	977	-	-	977
Editorial Club	5	-	-	5	-	-	5
FBLA	484	-	-	484	-	-	484
FCA	65	-	-	65	-	-	65
Football Team	61	14,510	14,571	-	-	-	-
Forensics Science Fee	25	-	25	-	-	-	-
General Basketball	-	8,553	4,275	4,278	-	-	4,278
General Science	200	797	708	289	-	-	289
Girls Basketball	8,991	5,887	13,265	1,613	-	-	1,613
Girls Softball Team	258	2,857	2,093	1,022	-	-	1,022
Golf Team	62	2,640	2,478	224	-	-	224
Guidance - Student Trip	-	605	175	430	-	-	430
Instructional Supplies	3,680	7,300	8,243	2,737	-	-	2,737
J Steely Carnival	418	8,347	3,972	4,793	-	-	4,793
Jay Grainger Memorial Scholarship	2,596	-	500	2,096	-	-	2,096
Jeffery James Scholarship	3,438	-	500	2,938	-	-	2,938
Jim Jenkins Memorial	25	-	-	25	-	-	25
John Dooley Friendliest Award	1,250	-	-	1,250	-	-	1,250
Justin In Time	2,500	-	-	2,500	-	-	2,500
Kersten O'Day VFW 2899	2,500	-	500	2,000	-	-	2,000
Let Us Never Forget	1,000	-	-	1,000	-	-	1,000
Library	163	-	-	163	-	-	163
Little Hoopsters -Girls Basketball	1,895	6,983	4,726	4,152	-	-	4,152
Mary Egan Memorial	-	1,595	729	866	-	-	866
Mary Ann Swope Memorial	-	1,680	-	1,680	-	-	1,680
MS Student Council	7	-	-	7	-	-	7
MS Volleyball	109	-	-	109	-	-	109

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BELLEVUE HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2013
(Continued)**

Fund Accounts	Cash Balances July 1, 2012	Receipts	Disburse- ments	Cash Balances June 30, 2013	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2013
Office	\$ 282	\$ 2,566	\$ 2,370	\$ 478	\$ -	\$ -	\$ 478
Parr Family Memorial Scholarship	455	-	-	455	-	-	455
Paul Weber Memorial Scholarship	200	200	-	400	-	-	400
Pep Club	69	15	-	84	-	-	84
Pep Stidham Scholarship	3,395	-	500	2,895	-	-	2,895
Physical Education Department	119	-	-	119	-	-	119
Retired Teacher	500	500	-	1,000	-	-	1,000
Robert Alexander Scholarship	200	-	-	200	-	-	200
Russell Madden Benefit Scholarship	1,830	-	-	1,830	-	-	1,830
Sally Meng Memorial Fund	5,866	5,067	686	10,247	-	-	10,247
Sally Meng Memorial Scholarship	250	500	750	-	-	-	-
Science Solar Panel Fund	121	-	-	121	-	-	121
Senior Blast Off	209	336	545	-	-	-	-
Soccer Team	56	-	-	56	-	-	56
Spanish Club	766	-	-	766	-	-	766
Special Education	1,126	-	73	1,053	-	-	1,053
Spirit Student Account	1,463	-	1,463	-	-	-	-
Stan Swope Scholarship	624	91	-	715	-	-	715
Stephanie Wilson Memorial Scholarship	1,597	4,254	4,311	1,540	-	-	1,540
Student Council	18	-	-	18	-	-	18
Student Incentives	47	5,385	4,838	594	-	-	594
Sunshine Fund	426	957	1,188	195	-	-	195
Swauger Basketball Trny	-	3,486	3,186	300	-	-	300
Tennis Team	790	858	1,441	207	-	-	207
Track Team	18	5,636	4,401	1,253	-	-	1,253
TRI-M	33	-	-	33	-	-	33
Turner/Sorrell Memorial Scholarship	40	-	40	-	-	-	-
Varsity Basketball-Youth Program	695	8,403	3,375	5,723	-	-	5,723
Volleyball Team	1,056	5,193	4,431	1,818	-	-	1,818
Wil Forge Scholarship	150	-	-	150	-	-	150
William And Janet Dosch Scholarship	500	-	-	500	-	-	500
William M. Lubbers Estate	430	1,502	429	1,503	-	-	1,503
Yearbook	828	162	-	990	-	-	990
Total	\$ 76,055	\$ 227,526	\$ 202,745	\$ 100,836	\$ -	\$ -	\$ 100,836

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
OTHER SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2013**

	<u>Grandview Elementary School</u>	<u>Total</u>
Cash Balance at July 1, 2012	\$ 40,311	\$ 40,311
Add: Receipts	29,521	29,521
Less: Disbursements	<u>(33,657)</u>	<u>(33,657)</u>
Cash Balance at June 30, 2013	36,175	36,175
Accounts Receivable	-	-
Accounts Payable	<u>-</u>	<u>-</u>
Fund Balance at June 30, 2013	<u>\$ 36,175</u>	<u>\$ 36,175</u>

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
FOR THE YEAR ENDED JUNE 30, 2013**

BOARD MEMBERS

Dan Sparks
Term Expires- December 31, 2014

Jenny Hazeres
Term Expires- December 31, 2014

Vanessa Groneck
Term Expires- December 31, 2016

Julia Fischer
Term Expires- December 31, 2016

Dan Swope
Term Expires- December 31, 2014

ADMINISTRATIVE PERSONNEL

Wayne Starnes, Superintendent
and Secretary to the Board of Education

Norman Veatch, Treasurer

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

Federal Grants/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantors Number	Expenditures	Program/ Cluster Total
U.S. Department of Education				
<i>Passed Through State Department of Education</i>				
Title II - Improving Teacher Quality State Grant	84.367	3230002-11	\$ 12,768	\$
Title II - Improving Teacher Quality State Grant	84.367	3230002-12	24,391	37,159
<u>Education Technology Cluster</u>				
Perkins Voc Ed Carry Forward Allocation - Direct	84.048		271	
Perkins Voc Ed Basic - Direct	84.048		4,766	
Title II Education Technology State Grant	84.318	3210002-10	3	
Race to the Top	84.413A	EJOB00-11	3,462	
Race to the Top	84.413A	EJOB00-10	3,772	12,274
<u>Education Jobs Fund</u>				
<u>Title I Cluster</u>				
Title I - Grants to Local Education Agencies	84.010	3100002-10	10,105	
Title I - Grants to Local Education Agencies	84.010	3100002-11	46,158	
Title I - Grants to Local Education Agencies	84.010	3100002-12	195,853	
Title I - School Improvement Funds	84.010	3100202-10	7,337	
Title I - School Improvement Funds	84.010	3100202-11	34,243	293,696
<u>Special Education Cluster</u>				
Special Education Grants to States	84.027	3810002-11	47,345	
Special Education Grants to States	84.027	3810002-12	228,158	
IDEA B	84.027	3810002-10	445	
Special Education Preschool Grants	84.173	3800002-11	14,836	
Special Education Preschool Grants	84.173	3800002-12	12,489	303,273
Total U.S. Department of Education			646,402	646,402
U.S. Department of Agriculture				
<i>Passed Through State Department of Education</i>				
<u>Child Nutrition Cluster</u>				
National School Lunch Program	10.555	7750002-12	41,517	
National School Lunch Program	10.555	7750002-13	198,524	
School Breakfast Program	10.553	7760005-12	10,793	
School Breakfast Program	10.553	7760005-13	49,926	
After School Care Program	10.559	7690024-12	1,440	
Summer Food Service Program for Children	10.559	7740023-12	13,911	316,111
<i>Passed Through State Department of Agriculture</i>				
National School Lunch Program - Food Donation			4,043	4,043
Total U.S. Department of Agriculture			320,154	320,154
Total Expenditures of Federal Awards			\$ 966,556	\$ 966,556

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bellevue Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of Financial Statement Opinion	Unqualified
Were there any material weaknesses reported at the financial statements level (GAGAS)?	None reported
Were there any control deficiencies identified, not considered to be material weaknesses, reported at the financial statement level (GAGAS)?	None reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	None reported
FEDERAL AWARDS	
Were there any material weaknesses reported for major federal programs?	None reported
Were there any control deficiencies identified, not considered material weaknesses reported for major programs?	None reported
Type of Major Programs Compliance Opinion	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	None reported
Major Programs (list):	Special Education Cluster [CFDA 84.027 and 84.173]
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No Matters to be Reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Matters to be Reported

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

**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**

Kentucky State Committee for School District Audits and
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, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, 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, 2013, 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 8, 2013

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

Kentucky State Committee for School District Audits and
Members of the Board of Education
Bellevue Independent School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bellevue Independent School District's financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

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.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
November 8, 2013

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

Kentucky State Committee for School District Audits and
Members of the Board of Education
Bellevue Independent School District
Bellevue, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the 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 the District's major federal programs for the year ended June 30, 2013. The Bellevue Independent School District's major federal programs are identified in the summary of auditors' result 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 the 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* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Bellevue Independent School District complied in all material respects with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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.

VonLehman & Company Inc.

**BELLEVUE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Kentucky State Committee for School District Audits and
Members of the Board of Education
Bellevue Independent School District
Bellevue, Kentucky

In planning and performing our audit of the financial statements of the Bellevue Independent School District (the District) for the year ended June 30, 2013, we considered the District's internal controls in order to determine the audit procedures that are appropriate for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls.

During the course of our audit we select samples of activity for our auditing tests. Through these procedures we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. We previously reported on the District's internal controls in our report dated November 8, 2013. This letter does not affect our report dated November 8, 2013 on the financial statements of the Bellevue Independent School District.

Our findings are presented as follows:

CURRENT YEAR RECOMMENDATIONS

General Findings for All Schools

- Instances were noted in which the multiple receipt forms were not filled out in their entirety and, in some cases, not completed. We recommend training be provided as it relates to these forms and that when required, this form is completed.

Bellevue High School

- It was noted that purchase orders are not always prepared and approved prior to purchase. The Redbook requires purchase orders to be prepared and approved by the sponsor and principal before the payment is obligated. It is our recommendation that purchase orders be prepared and approved prior to purchase for all disbursements.
- We noted that both of the required Fundraising forms, F-SA-2A and F-SA-2B, are not being filled out. We recommend that these forms be completed for all fundraising activity.
- We noted instances where the school does not have a separate ticket taker and ticket seller for events in which there are ticket sales. The Redbook requires the ticket taker and ticket seller to be two separate people. We recommend there should be two separate people involved in this process.

Grandview Elementary School

- No specific school findings.

STATUS OF PRIOR YEAR RECOMMENDATIONS

None reported in prior year.