



**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Bellaire City School District
Belmont County
340 34th Street
Bellaire, Ohio 43906

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Bellaire City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bellaire City School District, Belmont County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

Jim Petro
Auditor of State

March 15, 2002

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**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$349,577	\$967,192	\$225,963	\$8,580,492
Cash and Cash Equivalents:				
In Segregated Accounts	0	0	0	513,687
Investments:				
Investments	0	229,879	0	0
Receivables:				
Taxes	2,088,134	49,028	375,553	229,483
Accounts	3,649	0	0	0
Intergovernmental	21,342	98,663	0	52,365
Interfund Receivable	23,940	0	0	0
Accrued Interest	153	514	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	50,573	0	0	0
Prepaid Items	28,074	2,355	0	5,227
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	246,239	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided for Retirement of Debt Services	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$2,811,681	\$1,347,631	\$601,516	\$9,381,254

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$2,242	\$95,677	\$66,112	\$0	\$0	\$10,287,255
0	0	0	0	0	513,687
0	0	8,000	0	0	237,879
0	0	0	0	0	2,742,198
0	0	0	0	0	3,649
0	0	0	0	0	172,370
0	0	0	0	0	23,940
0	0	95	0	0	762
10,011	0	0	0	0	10,011
4,140	0	0	0	0	54,713
585	0	0	0	0	36,241
0	0	0	0	0	246,239
28,341	0	0	31,763,150	0	31,791,491
0	0	0	0	225,963	225,963
0	0	0	0	5,438,320	5,438,320
\$45,319	\$95,677	\$74,207	\$31,763,150	\$5,664,283	\$51,784,718

(continued)

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$10,257	\$46,752	\$0	\$16,226
Accrued Wages	829,302	135,672	0	0
Compensated Absences Payable	50,989	19,388	0	0
Intergovernmental Payable	173,603	23,826	0	2
Deferred Revenue	1,978,535	78,281	351,552	215,555
Interfund Payable	0	0	0	0
Retainage Payable	0	0	0	513,687
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Contracts Payable	0	0	0	1,904,434
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,042,686	303,919	351,552	2,649,904
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Unreserved	0	0	0	0
Reserved for Encumbrances	114,151	80,301	0	7,678,273
Reserved for Inventory	50,573	0	0	0
Reserved for Property Taxes	121,739	3,133	24,001	13,928
Reserved for Endowments	0	0	0	0
Reserved for Budget Stabilization	60,163	0	0	0
Reserved for School Bus Purchases	119,307	0	0	0
Reserved for Textbooks & Instruction	66,769	0	0	0
Unreserved: Designated	9,550	0	0	0
Undesignated	(773,257)	960,278	225,963	(960,851)
Total Fund Equity and Other Credits	(231,005)	1,043,712	249,964	6,731,350
Total Liabilities, Fund Equity and Other Credits	\$2,811,681	\$1,347,631	\$601,516	\$9,381,254

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$73,235
38,043	0	0	0	0	1,003,017
18,524	0	0	0	1,635,517	1,724,418
15,251	0	0	0	70,610	283,292
7,079	0	74	0	0	2,631,076
23,940	0	0	0	0	23,940
0	0	0	0	0	513,687
0	0	64,864	0	0	64,864
0	12,820	0	0	0	12,820
0	0	0	0	0	1,904,434
0	0	0	0	23,156	23,156
0	0	0	0	3,935,000	3,935,000
102,837	12,820	64,938	0	5,664,283	12,192,939
0	0	0	31,763,150	0	31,763,150
76,845	0	0	0	0	76,845
(134,363)	82,857	0	0	0	(51,506)
0	0	0	0	0	7,872,725
0	0	0	0	0	50,573
0	0	0	0	0	162,801
0	0	5,000	0	0	5,000
0	0	0	0	0	60,163
0	0	0	0	0	119,307
0	0	0	0	0	66,769
0	0	0	0	0	9,550
0	0	4,269	0	0	(543,598)
(57,518)	82,857	9,269	31,763,150	0	39,591,779
\$45,319	\$95,677	\$74,207	\$31,763,150	\$5,664,283	\$51,784,718

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$1,723,273	\$39,131	\$299,745	\$194,769	\$0	\$2,256,918
Intergovernmental	7,326,777	2,285,653	39,770	16,779,939	0	26,432,139
Interest	95,098	17,052	0	454,453	33	566,636
Tuition and Fees	186,526	35,393	0	0	0	221,919
Rent	2,000	0	0	0	0	2,000
Extracurricular Activities	0	172,768	0	0	0	172,768
Gifts and Donations	0	100,000	0	0	0	100,000
Customer Services	0	168,664	0	0	0	168,664
Miscellaneous	65,593	2,266	0	0	0	67,859
Total Revenues	9,399,267	2,820,927	339,515	17,429,161	33	29,988,903
Expenditures:						
Current:						
Instruction:						
Regular	4,360,939	606,439	0	0	250	4,967,628
Special	1,007,748	553,316	0	0	0	1,561,064
Vocational	187,657	0	0	0	0	187,657
Other	407,571	0	0	0	0	407,571
Support Services:						
Pupils	339,928	702,386	0	77,427	0	1,119,741
Instructional Staff	57,159	67,931	0	0	0	125,090
Board of Education	24,905	0	0	0	0	24,905
Administration	938,241	178,703	0	0	0	1,116,944
Fiscal	199,257	8,965	6,725	9,807	0	224,754
Operation and Maintenance of Plant	972,497	2,500	0	2,573	0	977,570
Pupil Transportation	646,233	33,717	0	0	0	679,950
Central	0	800	0	0	0	800
Non-Instructional Services	0	299,127	0	0	0	299,127
Extracurricular Activities	155,717	93,224	0	0	0	248,941
Capital Outlay	0	0	0	19,027,647	0	19,027,647
Debt Service:						
Principal Retirement	0	0	103,000	41,020	0	144,020
Interest and Fiscal Charges	0	0	227,948	3,370	0	231,318
Total Expenditures	9,297,852	2,547,108	337,673	19,161,844	250	31,344,727
Excess of Revenues Over (Under) Expenditures	101,415	273,819	1,842	(1,732,683)	(217)	(1,355,824)
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	0	0	0	22,387	0	22,387
Total Other Financing Sources	0	0	0	22,387	0	22,387
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	101,415	273,819	1,842	(1,710,296)	(217)	(1,333,437)
Fund Balances (Deficit) at Beginning of Year	(314,736)	769,893	248,122	8,441,646	3,833	9,148,758
Decrease in Reserve for Inventory	(17,684)	0	0	0	0	(17,684)
Fund Balances (Deficits) at End of Year	(\$231,005)	\$1,043,712	\$249,964	\$6,731,350	\$3,616	\$7,797,637

See accompanying notes to the general purpose financial statements

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	-----General Fund-----			-----Special Revenue Funds-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,726,952	\$1,726,952	\$0	\$39,098	\$39,098	\$0
Intergovernmental	7,338,163	7,338,163	0	2,247,258	2,277,504	30,246
Interest	93,412	95,183	1,771	19,725	20,526	801
Tuition and Fees	186,463	186,463	0	35,393	35,393	0
Rent	2,000	2,000	0	0	0	0
Extracurricular Activities	0	0	0	175,680	172,768	(2,912)
Gifts and Donations	0	0	0	100,000	100,000	0
Customer Services	0	0	0	168,664	168,664	0
Miscellaneous	64,605	64,605	0	2,808	2,266	(542)
Total Revenues	9,411,595	9,413,366	1,771	2,788,626	2,816,219	27,593
Expenditures:						
Current:						
Instruction:						
Regular	4,380,288	4,379,551	737	698,718	605,715	93,003
Special	1,019,683	1,015,109	4,574	566,957	545,405	21,552
Vocational	188,636	188,492	144	0	0	0
Other	461,290	460,110	1,180	0	0	0
Support Services:						
Pupils	338,836	336,800	2,036	783,405	720,896	62,509
Instructional Staff	57,051	56,916	135	64,862	63,535	1,327
Board of Education	27,101	26,645	456	0	0	0
Administration	939,339	933,034	6,305	226,460	181,172	45,288
Fiscal	203,209	202,463	746	8,756	8,970	(214)
Operation and Maintenance of Plant	1,031,038	1,026,803	4,235	2,697	2,500	197
Pupil Transportation	656,249	655,063	1,186	45,669	33,695	11,974
Central	0	0	0	(313)	800	(1,113)
Non-Instructional Services	0	0	0	431,431	367,482	63,949
Extracurricular Activities	152,850	152,013	837	137,527	104,451	33,076
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,455,570	9,432,999	22,571	2,966,169	2,634,621	331,548
Excess of Revenues Over (Under) Expenditures	(43,975)	(19,633)	24,342	(177,543)	181,598	359,141
Other Financing Sources and Uses:						
Transfer/Advance In	72,241	0	(72,241)	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Transfer/Advance Out	(96,181)	(23,940)	72,241	0	0	0
Total Other Financing Sources/(Uses)	(23,940)	(23,940)	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(67,915)	(43,573)	24,342	(177,543)	181,598	359,141
Fund Balances at Beginning of Year	349,640	349,640	0	805,284	805,284	0
Prior Year Encumbrances Appropriated	160,450	160,450	0	82,960	82,960	0
Fund Balances at End of Year	\$442,175	\$466,517	\$24,342	\$710,701	\$1,069,842	\$359,141

See accompanying notes to the general purpose financial statements

(continued)

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	-----Debt Service Fund-----			-----Capital Projects Funds-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$299,490	\$299,490	\$0	\$196,873	\$196,873	\$0
Intergovernmental	39,770	39,770	0	16,610,186	16,727,574	117,388
Interest	0	0	0	468,977	464,991	(3,986)
Tuition and Fees	0	0	0	0	0	0
Rent	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Customer Services	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	339,260	339,260	0	17,276,036	17,389,438	113,402
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	0	0	0
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	153,195	82,746	70,449
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	6,787	6,725	62	10,000	9,807	193
Operation and Maintenance of Plant	0	0	0	2,650	2,650	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	26,144,797	26,095,327	49,470
Debt Service:						
Principal Retirement	103,000	103,000	0	0	0	0
Interest and Fiscal Charges	227,948	227,948	0	0	0	0
Total Expenditures	337,735	337,673	62	26,310,642	26,190,530	120,112
Excess of Revenues Over (Under) Expenditures	1,525	1,587	62	(9,034,606)	(8,801,092)	233,514
Other Financing Sources and Uses:						
Transfer/Advance In	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	22,387	22,387	0
Transfer/Advance Out	0	0	0	0	0	0
Total Other Financing Sources/(Uses)	0	0	0	22,387	22,387	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures						
Other Financing (Uses)	1,525	1,587	62	(9,012,219)	(8,778,705)	233,514
Fund Balances at Beginning of Year	224,376	224,376	0	(6,164,965)	(6,164,965)	0
Prior Year Encumbrances Appropriated	0	0	0	16,343,350	16,343,350	0
Fund Balances at End of Year	\$225,901	\$225,963	\$62	\$1,166,166	\$1,399,680	\$233,514

See accompanying notes to the general purpose financial statements

-----Expendable Trust Funds-----

----- (Memorandum Only) -----

Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,262,413	\$2,262,413	\$0
0	0	0	26,235,377	26,383,011	147,634
58	58	0	582,172	580,758	(1,414)
0	0	0	221,856	221,856	0
0	0	0	2,000	2,000	0
0	0	0	175,680	172,768	(2,912)
0	0	0	100,000	100,000	0
0	0	0	168,664	168,664	0
0	0	0	67,413	66,871	(542)
58	58	0	29,815,575	29,958,341	142,766
250	250	0	5,079,256	4,985,516	93,740
0	0	0	1,586,640	1,560,514	26,126
0	0	0	188,636	188,492	144
0	0	0	461,290	460,110	1,180
0	0	0	1,275,436	1,140,442	134,994
0	0	0	121,913	120,451	1,462
0	0	0	27,101	26,645	456
0	0	0	1,165,799	1,114,206	51,593
0	0	0	228,752	227,965	787
0	0	0	1,036,385	1,031,953	4,432
0	0	0	701,918	688,758	13,160
0	0	0	(313)	800	(1,113)
0	0	0	431,431	367,482	63,949
0	0	0	290,377	256,464	33,913
0	0	0	26,144,797	26,095,327	49,470
0	0	0	103,000	103,000	0
0	0	0	227,948	227,948	0
250	250	0	39,070,366	38,596,073	474,293
(192)	(192)	0	(9,254,791)	(8,637,732)	617,059
0	0	0	72,241	0	(72,241)
0	0	0	22,387	22,387	0
0	0	0	(96,181)	(23,940)	72,241
0	0	0	(1,553)	(1,553)	0
(192)	(192)	0	(9,256,344)	(8,639,285)	617,059
3,808	3,808	0	(4,781,857)	(4,781,857)	0
0	0	0	16,586,760	16,586,760	0
\$3,616	\$3,616	\$0	\$2,548,559	\$3,165,618	\$617,059

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**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Contributions and Donations	\$0	\$0	\$680	\$680
Sales	234,191	0	0	234,191
Charges for Services	0	115,297	0	115,297
Interest	0	0	288	288
Total Operating Revenue	234,191	115,297	968	350,456
Operating Expenses:				
Salaries	208,721	0	0	208,721
Fringe Benefits	114,922	0	0	114,922
Purchased Services	576	11,391	0	11,967
Materials and Supplies	39,200	0	0	39,200
Cost of Sales	204,542	0	0	204,542
Depreciation	1,797	0	0	1,797
Claims	0	95,241	0	95,241
Other Operating Expenses	0	0	750	750
Total Operating Expenses	569,758	106,632	750	677,140
Operating Income (Loss)	(335,567)	8,665	218	(326,684)
Non-Operating Revenues:				
Federal Donated Commodities	19,087	0	0	19,087
Operating Grants	282,290	0	0	282,290
Interest	216	0	0	216
Total Non-Operating Revenues	301,593	0	0	301,593
Net Income (Loss) Before Transfers In	(33,974)	8,665	218	(25,091)
Operating Transfers In	0	0	0	0
Net Income (Loss)	(33,974)	8,665	218	(25,091)
Retained Earnings/Fund Balance (Deficit) at Beginning of Year - Restated (Note 3)	(100,389)	74,192	0	(26,197)
Retained Earnings/Fund Balance (Deficit) at End of Year	(134,363)	82,857	218	(51,288)
Contributed Capital at Beginning of Year	76,845	0	0	76,845
Total Capital Contributed During the Year	0	0	0	0
Contributed Capital at End of Year	76,845	0	0	76,845
Total Fund Equity at End of Year	(\$57,518)	\$82,857	\$218	\$25,557

See accompanying notes to the general purpose financial statements

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR JUNE 30, 2001**

	----- Proprietary Fund Types -----					
	----- Enterprise Funds -----			----- Internal Service Funds -----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$234,239	\$234,239	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	115,297	115,297	0
Contributions and Donations	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Total Revenues	234,239	234,239	0	115,297	115,297	0
Expenses:						
Salaries	207,940	207,940	0	0	0	0
Fringe Benefits	111,553	111,553	0	110,588	93,498	17,090
Purchased Services	630	630	0	12,000	11,391	609
Materials and Supplies	222,442	222,442	0	0	0	0
Capital Outlay	1,088	1,088	0	0	0	0
Other	0	0	0	0	0	0
Total Expenses	543,653	543,653	0	122,588	104,889	17,699
Excess of Revenues Over (Under) Expenses	(309,414)	(309,414)	0	(7,291)	10,408	17,699
Non-Operating Revenues:						
Interest	216	216	0	0	0	0
Federal and State Subsidies	282,290	282,290	0	0	0	0
Advances In	23,940	23,940	0	0	0	0
Total Non-Operating Revenues	306,446	306,446	0	0	0	0
Excess Revenues and Other Non-Operating Revenues Over/(Under) Expenses	(2,968)	(2,968)	0	(7,291)	10,408	17,699
Fund Equity at Beginning of Year	1,868	1,868	0	72,681	72,681	0
Prior Year Encumbrances Appropriated	1,100	1,100	0	12,588	12,588	0
Fund Equity at End of Year	\$0	\$0	\$0	\$77,978	\$95,677	\$17,699

See accompanying notes to the general purpose financial statements

(continued)

----- Fiduciary Fund Type ----- ---- Nonexpendable Trust Funds -----			Totals ----- (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$234,239	\$234,239	\$0
0	0	0	115,297	115,297	0
680	680	0	680	680	0
280	280	0	280	280	0
960	960	0	350,496	350,496	0
0	0	0	207,940	207,940	0
0	0	0	222,141	205,051	17,090
0	0	0	12,630	12,021	609
0	0	0	222,442	222,442	0
0	0	0	1,088	1,088	0
750	750	0	750	750	0
750	750	0	666,991	649,292	17,699
210	210	0	(316,495)	(298,796)	17,699
0	0	0	216	216	0
0	0	0	282,290	282,290	0
0	0	0	23,940	23,940	0
0	0	0	306,446	306,446	0
210	210	0	(10,049)	7,650	17,699
5,422	5,422	0	79,971	79,971	0
0	0	0	13,688	13,688	0
\$5,632	\$5,632	\$0	\$83,610	\$101,309	\$17,699

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	---Proprietary Fund Types---		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$234,239	\$0	\$0	\$234,239
Cash Received from Contributions & Donations	0	0	680	680
Cash Rcv'd from Quasi-External Trans. W/Other	0	115,297	0	115,297
Cash Payments to Suppliers for Goods and Services	(221,918)	(11,391)	0	(233,309)
Cash Payments to Employees for Services	(207,940)	0	0	(207,940)
Cash Payments for Employee Benefits	(111,553)	0	0	(111,553)
Cash Payments for Claims and Judgments	0	(93,498)	0	(93,498)
Cash Payments for Scholarships	0	0	(750)	(750)
Net Cash Provided by (Used for) Operating Activities	(307,172)	10,408	(70)	(296,834)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	282,290	0	0	282,290
Advances In	23,940	0	0	23,940
Net Cash Provided by Noncapital Financing Activities	306,230	0	0	306,230
Cash Flows from Investing Activities:				
Interest on Investments	216	0	280	496
Net Cash Provided by Investing Activities	216	0	280	496
Net Increase (Decrease) in Cash and Cash Equivalents	(726)	10,408	210	9,892
Cash and Cash Equivalents at Beginning of Year	2,968	85,269	422	88,659
Cash and Cash Equivalents at End of Year	\$2,242	\$95,677	\$632	\$98,551

(continued)

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	----Proprietary Fund Types----		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(\$335,567)	\$8,665	\$218	(\$326,684)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	1,797		0	1,797
Donated Commodities Used During Year	19,087	0	0	19,087
Non-Exepndable Trust Fund Interest	0	0	(280)	(280)
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	48	0	0	48
Increase in Prepaid Items	(585)	0	0	(585)
Decrease in Inventory Held for Resale	2,834	0	0	2,834
Decrease in Materials and Supplies Inventory	4,068	0	0	4,068
Decrease in Accounts Payable	(1,088)	0	0	(1,088)
Increase in Accrued Wages	2,775	0	0	2,775
Increase in Compensated Absences Payable	728	0	0	728
Decrease in Deferred Revenue	(2,088)	0	0	(2,088)
Increase in Intergovernmental Payable	819	0	0	819
Increase in Accrued Interest Receivable	0	0	(8)	(8)
Increase in Claims Payable	0	1,743	0	1,743
Total Adjustments	28,395	1,743	(288)	29,850
Net Cash Provided by Operating Activities	(\$307,172)	\$10,408	(\$70)	(\$296,834)
Reconciliation:				
Cash and Cash Equivalents - All Fiduciary Funds	\$66,112			
Cash and Cash Equivalents - Agency Funds	(64,864)			
Cash and Cash Equivalents - Expendable Trust Funds	(616)			
Cash and Cash Equivalents - Nonexpendable Trust Funds	\$632			

See accompanying notes to the general purpose financial statements

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Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Bellaire City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1839 when Jacob Davis Jr. became the first school teacher in Bellaire. The first schoolhouse was also erected in 1839. The current district was originally made up of schools in Bellaire, Key, Pultney and other outlying areas and one-room schools. The final consolidation of the schools was in January 1960 when the Key-Pultney District joined the Bellaire District. The School District encompasses 48 square miles of rolling hills and small communities in Belmont County. The District's most eastern border is the Ohio River. The district is staffed by 68 non-certificated employees, 120 certificated full-time teaching personnel and 13 administrative employees who provide services to 1,719 students and other community members. The School District currently operates 7 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Bellaire City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

No separate governmental units meet the criteria for inclusion as a component unit.

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, St. John Central High School and St. John Grade School are operated through the Diocese of Steubenville. Current State legislation provides funding to these parochial schools. These moneys are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State moneys received by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District participates in four organizations which are defined as jointly governed organizations, a related organization, and an insurance purchasing pool. These organizations include the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Belmont-Harrison Vocational School District, the Bellaire Public Library, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19, 20, and 21 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bellaire City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trusts, nonexpendable trusts and agency funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial 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. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary and non-expendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 7). Revenue from grants 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been 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 and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. The District budgets for advances.

Tax Budget:

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

By no later than January 20, the Board-adopted budget is filed with the Belmont County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. At year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of moneys are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to STAROhio, repurchase agreements and nonnegotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$95,098, which includes \$60,308 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed 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 School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Interest incurred during construction of general fund assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization and textbooks and instruction. See Note 22 for additional information regarding set-asides.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for certified employees, administrators, and classified employees after twenty years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District records reserves for those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook and instructional material, school bus purchases, and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The implementation of GASB Statements 33 and 36 had no effect on fund balance at June 30, 2000.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

At June 30, 2001, the General Fund, Disadvantaged Pupil Impact Aid Special Revenue Fund, and the Food Service Enterprise Fund had deficit fund balances of \$231,005, \$55,673, and \$135,267, respectively. The deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service Enterprise Fund had deficit retained earnings due to the School District not establishing charges for services sufficient to cover costs of operation. Management will review operations to determine any actions deemed appropriate.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures All Governmental Fund Types and Similar Trust Funds				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$101,415	\$273,819	\$1,842	(\$1,710,296)	(\$217)
Net Adjustment for Revenue Accruals	14,099	(4,708)	(255)	(39,723)	25
Net Adjustment for Expenditure Accruals	(5,851)	39,711	0	665,813	0
Advances	(23,940)	0	0	0	0
Encumbrances	<u>(129,296)</u>	<u>(127,224)</u>	<u>0</u>	<u>(7,694,499)</u>	<u>0</u>
Budget Basis	<u>(\$43,573)</u>	<u>\$181,598</u>	<u>\$1,587</u>	<u>(\$8,778,705)</u>	<u>(\$192)</u>

	Net Income (Loss)/Excess of Revenues and Advances Over (Under) Expenses All Proprietary Fund Types and Similar Trust Funds		
	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	(\$33,974)	\$8,665	\$218
Revenue Accrual	48	0	(8)
Expense Accrual	7,464	1,743	0
Advances	23,940	0	0
Depreciation Expense	1,797	0	0
Encumbrances	<u>(2,243)</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>(\$2,968)</u>	<u>\$10,408</u>	<u>\$210</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify moneys held by the School District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such moneys

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Governmental National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end the carrying amount of the School District's deposits was \$1,062,972 and the bank balance was \$1,516,804; \$205,452 was covered by FDIC; \$1,311,352 was collateralized by securities held in the financial institution in the School District's name.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Unclassified</u>	<u>Carrying and Fair Value</u>
Repurchase Agreement	\$4,087,324	\$0	\$4,087,324
STAROhio	<u>0</u>	<u>6,134,764</u>	<u>6,134,764</u>
Total	<u>4,087,324</u>	<u>6,134,764</u>	<u>10,222,088</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$11,047,181	\$237,879
Investments:		
Repurchase Agreements	-4,087,324	4,087,324
Certificates of Deposit	237,879	-237,879
STAROhio	<u>-6,134,764</u>	<u>6,134,764</u>
GASB Statement 3	<u>\$1,062,972</u>	<u>\$10,222,088</u>

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

Real property taxes are levied after April 1, 2001 on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2001 on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	<u>2000 Second</u>		<u>2001 First</u>	
	<u>Half Collections</u>		<u>Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$63,256,740	76.60%	\$74,910,010	79.76%
Public Utility Personal	14,658,230	17.70%	14,967,720	15.94%
Tangible Personal Property	<u>4,739,490</u>	<u>5.70%</u>	<u>4,037,100</u>	<u>4.30%</u>
	<u>\$82,654,460</u>	<u>100.0%</u>	<u>\$93,914,830</u>	<u>100.0%</u>

Tax Rate per \$1,000 of assessed valuation	\$36.78	\$34.83
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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance, at June 30, 2001 was \$121,739 in the General Fund, \$13,928 in the Permanent Improvement Fund, \$24,001 in the Bond Retirement Fund

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES (continued)

and \$3,133 in the Classroom Maintenance Fund. The amount available as an advance at June 30, 2000 was \$125,418 in the General Fund, \$16,032 in the Permanent Improvement Fund, \$23,746 in the Bond Retirement Fund and \$3,100 in the Classroom Maintenance Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	Amounts
General Fund:	
Miscellaneous Costs	\$21,342
Special Revenue Funds:	
Student Services	5,913
PRC Career Growth	22,785
Title I	56,579
HRY Transitions	9,087
E-Rate	4,299
Total Special Revenue Funds	98,663
Capital Projects Fund:	
School Facilities	<u>52,365</u>
Total Intergovernmental Receivables	<u>\$172,370</u>

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

<u>ASSET DESCRIPTION</u>	<u>AMOUNT</u>
Furniture and Equipment	\$190,760
Vehicles	4,000
Less Accumulated Depreciation	<u>(166,419)</u>
Net Fixed Assets	<u>\$28,341</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$1,200,749	\$3,537	\$38,435	\$1,165,851
Buildings and Improvements	5,440,455	20,751	524,031	4,937,175
Furniture, Fixtures and Equipment	2,309,696	117,949	159,033	2,268,612
Vehicles	1,349,099	1,161	0	1,350,260
Construction in Progress	3,151,071	18,059,382	0	21,210,453
Textbooks and Library Books	<u>830,799</u>	<u>0</u>	<u>0</u>	<u>830,799</u>
Totals	<u>\$14,281,869</u>	<u>\$18,202,780</u>	<u>\$721,499</u>	<u>\$31,763,150</u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by Nationwide Insurance is as follows:

Building and Contents-replacement cost (\$500 deductible)	\$62,881,400
Inland Marine Coverage (\$100 deductible)	159,425
Boiler and Machinery (\$1,000 deductible)	15,931,800
Crime Insurance	500
Flood Insurance (\$750 deductible)	131,100
Automobile Liability (-0- deductible)	1,000,000
Uninsured Motorists (-0- deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

There have been no significant reductions in insurance coverage from last year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Other Employee Benefits

Dental insurance is offered to employees through a self-insurance internal service fund. The School District contracts with a third-party administrator to handle stop-loss coverage. The School District moves the monthly premiums to an internal service fund until claims are paid for by the dental insurance carrier. The cost of the actual claims is paid from the internal service fund after the claims are paid. The claims liability of \$12,820 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2000	\$11,824	\$80,528	\$81,275	\$11,077
2001	11,077	95,241	93,498	12,820

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides -retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$64,063, \$69,857 and \$83,095 respectively; 55.6 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$28,386 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent.

Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$558,427, \$303,445 and \$281,679, respectively; 83.45 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$92,427 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law,

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$264,518 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$167,122.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 to 260 days for all personnel. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 82 days for classified employees and 91 days for certified employees.

B. Health Care Benefits

The School District provides health insurance to most employees through The Health Plan of the Upper Ohio Valley, a health maintenance organization. The employees share the cost of the premium with the Board. Life insurance and accidental death and dismemberment insurance is provided to most employees through National Term Life Insurance. Vision insurance is provided to most employees through Vision Service Plan. The premiums for the life and vision insurance are paid solely by the School District.

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$208,354. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$41,020 in the governmental funds

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Future minimum lease payments through 2002 are as follows:

<u>Year</u>	<u>Amount</u>
2002	\$23,891
Less: Amount Representing Interest	<u>(735)</u>
Present Value of Net Minimum Lease Payments	<u>\$23,156</u>

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Principal Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/01</u>
School Facilities G.O. Bonds	\$4,038,000	\$0	\$103,000	\$3,935,000
Capital Leases Payable	64,176	0	41,020	23,156
Intergovernmental Payable	62,883	70,610	62,883	70,610
COLA Payable	95,090	0	95,090	0
Compensated Absences	<u>1,645,865</u>	<u>0</u>	<u>10,348</u>	<u>1,635,517</u>
Total General Long-Term Obligations	<u>\$5,906,014</u>	<u>\$70,610</u>	<u>\$312,341</u>	<u>\$5,664,283</u>

On February 1, 2000, the School District issued \$4,038,000 in voted general obligation bonds for the purpose of retiring \$4,038,000 in bond anticipation notes that were issued for the purpose of constructing, acquiring, reconstructing, and making additions to classroom facilities under authority of and pursuant to the general laws of the State of Ohio, particularly Chapters 133 and 3318 of the Ohio Revised Code. The bonds were issued for a period of twenty-two years with a final maturity at December 1, 2021. The

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

liability for the bonds is recorded in the General Long-Term Obligations Account Group with annual principal and interest requirements being retired from the debt service fund.

The bond issue consists of serial and term bonds. The term bonds that mature in the year 2021 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2017, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2017	\$250,000
2018	\$265,000
2019	\$280,000
2020	\$295,000

Unless otherwise called for redemption, the remaining \$315,000 principal amount of the Bonds due December 31, 2021 is to be paid at stated maturity.

The bonds maturing on December 1 in each of the years 2010 through 2014 are not subject to optional call for redemption prior to their respective maturity dates.

The bonds maturing on December 1, 2015 and thereafter are subject to optional redemption, in whole or in part on any date and by lot within a maturity, at the option of the School District on or after December 1, 2009 as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2009 through November 30, 2010	101 percent
December 1, 2010 and thereafter	100 percent

If fewer than all of the outstanding bonds of single maturity are called for redemption, the selection of the bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar in any manner which the Paying Agent and Registrar may determine.

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The payment schedule for the bonds, including interest, follows:

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$100,000	\$223,585	\$323,585
2003	110,000	218,883	328,883
2004	115,000	213,649	328,649
2005	120,000	208,038	328,038
2006	125,000	202,094	327,094
2007-2023	<u>3,365,000</u>	<u>1,861,980</u>	<u>5,226,980</u>
Total	<u>\$3,935,000</u>	<u>\$2,928,229</u>	<u>\$6,863,229</u>

Capital leases will be paid from the General Fund and the Permanent Improvement Capital Projects Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$4,160,963 with an unvoted debt margin of \$176,569 at June 30, 2001.

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had the following contractual purchase commitments:

<u>Project</u>	<u>Total Contract</u>	<u>Payments</u>	<u>Outstanding at 06/30/01</u>
Classroom Facilities	\$24,676,112	\$17,169,115	\$7,506,997

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$234,191	\$0	\$234,191
Depreciation Expense	1,797	0	1,797
Operating Income (Loss)	(335,567)	0	(335,567)
Donated Commodities	19,087	0	19,087
Operating Grants	282,290	0	282,290
Advance In	23,940	0	23,940
Interest	216	0	216
Net Income (Loss)	(33,974)	0	(33,974)
Net Working Capital	(86,763)	904	(85,859)
Total Assets	44,415	904	45,319
Total Equity	(58,422)	904	(57,518)
Encumbrances Outstanding at June 30, 2001	1,339	904	2,243

NOTE 18 – INTERFUND ACTIVITY

As of June 30, 2001, the General Fund had an interfund receivable in the amount of \$23,940 and the Food Service Enterprise Fund had a corresponding interfund payable in the amount of \$23,940.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Education Service Agency - The School District is a participant in the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) which is a computer consortium. OME-RESA is a governmental jointly governed organization among twelve counties. The counties OME-RESA serves are: Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson,, Monroe, Muskingum, Noble and Tuscarawas. OME-RESA was created as a regional council of governments pursuant to State Statutes. OME-RESA provides financial accounting services, educational management information system services, cooperative purchase service and legal services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors. The Jefferson County Board of Education office serves as the fiscal agent and receives funding from the Ohio Department of Education. The continued existence of OME-RESA is not dependent on the District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. Bellaire City School District's payments to OME-RESA for services for fiscal year 2001 were \$34,003. To obtain financial information write to Ohio Mid Eastern Regional Education Service Agency, Debra Angelo, Treasurer, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Belmont-Harrison Joint Vocational School - The Belmont-Harrison Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of up to two representatives from each of the nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Belmont-Harrison Joint Vocational School, Alexis Petrilla who serves as Treasurer, at 110 Fox/Shannon Place, St. Clairsville, Ohio 43950.

NOTE 20 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 21 - RELATED ORGANIZATION

Bellaire Public Library - The Bellaire Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Bellaire City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Bellaire Public Library, Pamela Nyles, Clerk/Treasurer, at 32nd and Guernsey Street, Bellaire, Ohio 43906.

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

Bellaire City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2000	\$8,689	\$0	\$60,163
Current year set-aside requirement	170,501	170,501	0
Qualifying Disbursements	<u>(112,421)</u>	<u>(196,783)</u>	<u> </u>
Totals	<u>\$66,769</u>	<u>\$(26,282)</u>	<u>\$60,163</u>
Set-aside Balance Carried Forward to			
Future Fiscal Years	<u>\$66,769</u>	<u>0</u>	<u>\$60,163</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$66,769</u>	<u>0</u>	<u>\$60,163</u>

Effective April 10, 22001, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001 are classified in two categories (1) Bureau of Workers' Compensation (BWC) refunds, and (2) the balance of the reserve which does not represent BWC refunds. The Statute includes specific purposes for which the monies representing BWC refunds can be used. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, transferred to the Classroom Facilities Fund, or returned to the General Fund and used at the discretion of the district's Board of Education. The School District has elected to maintain the budget reserve until a future determination on the use of the funds can be made.

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$126,932. The School District also has \$4,390,627 from debt related financing that may be used as an offset in future years to reduce the set-aside requirement for capital improvements.

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 24 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ❖ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ❖ Fully funded parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of March 15, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed-Through State Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	10.550	NA	\$	\$17,028	\$	\$19,087
School Breakfast Program	10.553	043570-05-PU-00	8,618		8,618	
		043570-05-PU-01	50,531		50,531	
Total School Breakfast Program			59,149	0	59,149	0
National School Lunch Program	10.555	043570-LL-P1-00	22,169		22,169	
	10.555	043570-LL-P4-00	3,485		3,485	
	10.555	043570-LL-P1-01	152,769		152,769	
	10.555	043570-LL-P4-01	25,050		25,050	
Total National School Lunch Program			203,473	0	203,473	0
Total United States Department of Agriculture - Nutrition Cluster			262,622	17,028	262,622	19,087
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed-Through State Department of Education:</i>						
Title I - Grants to Local Educational Agencies	84.010	043570-C1-S1-00	58,096		107,861	
	84.010	043570-C1-S1-00C	31,876		31,876	
	84.010	043570-C1-S1-01	486,990		400,972	
Total Title I - Grants to Local Educational Agencies			576,962	0	540,709	0
Title VI-B - Special Education - Grants to States	84.027	043570-6B-SF-00			37,616	
	84.027	043570-6B-SF-01	174,408		124,008	
Total Title VI-B - Special Education - Grants to States			174,408	0	161,624	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	043570-DR-S1-99			1,400	
	84.186	043570-DR-S1-00	693		352	
	84.186	043570-DR-S1-99C	(693)		0	
	84.186	043570-DR-S1-00C	0		4,965	
	84.186	043570-DR-S1-01	7,094		7,094	
	84.186	043570-DR-S2-01	3,894		0	
Total Safe and Drug-Free Schools and Communities - State Grants			10,988	0	13,811	0
Goals 2000 - State and Local Education Systemic Improvement	84.276	043570-G2-S1-00C			7,147	
	84.276	043570-G2-S1-01	40,688		35,082	
	84.276	043570-G2-S2-00	26,150		26,150	
	84.276	043570-G2-S2-01	14,500		2,448	
Total Goals 2000			81,338	0	70,827	0
Eisenhower Professional Development State Grants	84.281	043570-MS-S1-99C			9,538	
	84.281	043570-MS-S1-00C			17,796	
	84.281	043570-MS-S1-01	10,063		10,063	
	84.281	043570-MS-S2-01	18,271		12,919	
Total Eisenhower Professional Development State Grants			28,334	0	50,316	0
Innovative Education Program Strategies	84.298	043570-C2-S1-00	5,004		3,568	
	84.298	043570-C2-S1-01	14,486		10,247	
Total Innovative Education Program Strategies			19,490	0	13,815	0
Title VI of the ESEA, Class Size Reduction Grant	84.340	043570-CR-S1-00	17,164		15,574	
	84.340	043570-CR-S1-01	74,817		45,248	
Total Title VI of the ESEA, Class Size Reduction Grant			91,981	0	60,822	0
Total United States Department of Education			983,501	0	911,924	0
UNITED STATES DEPARTMENT OF JOB AND FAMILY SERVICES						
<i>Passed-Through Department of Job and Family Services of Belmont County:</i>						
Temporary Assistance for Needy Families	93.558	N/A	163,232		167,957	
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System - Title XIX	93.778	N/A	39,731		39,731	
<i>Passed-Through Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	102,500		104,083	
Total United States Department of Job and Family Services			305,463	0	311,771	0
Total Federal Awards Receipts and Expenditures			\$1,551,586	\$17,028	\$1,486,317	\$19,087

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had no significant food commodities in inventory.

NOTE C - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) GRANT PROGRAM MONIES

TANF grant (CFDA 93.558) monies are passed-through the Belmont County Department of Job and Family Services to the School District.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Bellaire City School District
Belmont County
340 34th Street
Bellaire, Ohio 43906

To the Board of Education:

We have audited the general purpose financial statements of the Bellaire City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated March 15, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the School District in a separate letter dated March 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated March 15, 2002.

Bellaire City School District
Belmont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 15, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Bellaire City School District
Belmont County
340 34th Street
Bellaire, Ohio 43906

To the Board of Education:

Compliance

We have audited the compliance of the Bellaire City School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 15, 2002

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Grants to Local Educational Agencies - CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**BELLAIRE CITY SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



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BELLAIRE CITY SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 2, 2002**