



Dave Yost • Auditor of State

**Bellaire Local School District
Belmont County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2012**

Local Government Services Section

Bellaire Local School District
Belmont County

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Dave Yost • Auditor of State

Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43125

and

Board of Education
Bellaire Local School District
340 34th Street
Bellaire, Ohio 43906

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Bellaire Local School District, Belmont County, Ohio, and issued a report dated February 3, 2012. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2012 of \$1,775,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2013 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2012 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2012.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision Commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

DAVE YOST
Auditor of State

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Unice S. Smith
Chief of Local Government Services

March 8, 2012

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Dave Yost • Auditor of State

Board of Education
Bellaire Local School District
340 34th Street
Bellaire, Ohio 43906

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Bellaire Local School District for the fiscal year ending June 30, 2012. The Bellaire Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2009, 2010, and 2011 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST
Auditor of State

February 3, 2012

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Bellaire Local School District
Belmont County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 Through 2011 Actual;
For the Fiscal Year Ending June 30, 2012 Forecasted
General Fund

	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Fiscal Year 2012 Forecasted
Revenues				
General Property Taxes	\$1,892,000	\$1,952,000	\$1,966,000	\$2,104,000
Tangible Personal Property Taxes	40,000	12,000	6,000	0
Unrestricted Grants-in-Aid	8,517,000	8,895,000	8,873,000	8,766,000
Restricted Grants-in-Aid	865,000	263,000	26,000	26,000
Restricted Federal Grants-in-Aid	0	600,000	1,010,000	261,000
Property Tax Allocation	390,000	464,000	434,000	343,000
All Other Revenues	892,000	877,000	885,000	980,000
<i>Total Revenues</i>	<u>12,596,000</u>	<u>13,063,000</u>	<u>13,200,000</u>	<u>12,480,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	500,000	0	0
Solvency Assistance Advance	0	3,667,000	1,273,000	0
Advances-In	0	0	96,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>4,167,000</u>	<u>1,369,000</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>12,596,000</u>	<u>17,230,000</u>	<u>14,569,000</u>	<u>12,480,000</u>
Expenditures				
Personal Services	7,531,000	7,355,000	6,710,000	5,725,000
Employees' Retirement/Insurance Benefits	3,791,000	3,935,000	3,629,000	3,129,000
Purchased Services	1,991,000	2,206,000	2,025,000	2,139,000
Supplies and Materials	536,000	458,000	421,000	413,000
Capital Outlay	21,000	0	0	50,000
Debt Service:				
Principal-Notes	0	500,000	0	0
Principal-Solvency Assistance Advance	0	320,000	1,834,000	2,470,000
Interest	0	6,000	0	0
Other Objects	247,000	168,000	177,000	231,000
<i>Total Expenditures</i>	<u>14,117,000</u>	<u>14,948,000</u>	<u>14,796,000</u>	<u>14,157,000</u>
Other Financing Uses				
Transfers Out	0	627,000	0	0
Advances Out	0	96,000	0	50,000
<i>Total Other Financing Uses</i>	<u>0</u>	<u>723,000</u>	<u>0</u>	<u>50,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>14,117,000</u>	<u>15,671,000</u>	<u>14,796,000</u>	<u>14,207,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,521,000)</u>	<u>1,559,000</u>	<u>(227,000)</u>	<u>(1,727,000)</u>
Cash Balance (Deficit) July 1	<u>247,000</u>	<u>(1,274,000)</u>	<u>285,000</u>	<u>58,000</u>
Cash Balance (Deficit) June 30	<u>(1,274,000)</u>	<u>285,000</u>	<u>58,000</u>	<u>(1,669,000)</u>
Actual/Estimated Encumbrances June 30	332,000	124,000	167,000	100,000
Restricted for:				
DPIA/Poverty Based Assistance	52,000	44,000	44,000	0
Bus Purchase	56,000	56,000	56,000	6,000
Total Encumbrances and Restricted Fund Balance	<u>440,000</u>	<u>224,000</u>	<u>267,000</u>	<u>106,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$1,714,000)</u>	<u>\$61,000</u>	<u>(\$209,000)</u>	<u>(\$1,775,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies
See independent accountant's report

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012

Note 1 – The School District

The Bellaire Local School District (the School District) is located in Belmont County and encompasses all of Pultney Township, areas of Richland Township and the Village of Bellaire. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one elementary school, one middle school, one high school, one administration building, two maintenance buildings and one bus garage. The School District is staffed by 70 classified and 80 certificated personnel to provide services to approximately 1,301 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Bellaire School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 3, 2012, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the education jobs and the school district fiscal stabilization funds and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's program – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012

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. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Belmont County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Bellaire Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Belmont County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Bellaire Local School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2012

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2012 (the collection year) for real and public utility property taxes represents collections of 2011 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account “Property Tax Allocation”.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2013 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2012.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved/ Renewed</u>	<u>Full Tax Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	\$4.50
Continuing Operating	1976	23.00
Total Tax Rate		<u><u>\$27.50</u></u>

The School District has other levies that total \$7.00 per \$1,000 of assessed value; \$3.50 is used for the payment of bonds issued for the construction of school facilities, \$0.50 is used for the upkeep of school facilities, and \$3.00 is used for permanent improvements. The School District’s total tax rate is \$34.50 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$20.01 per \$1,000 of assessed valuation for collection year 2012, and the effective commercial and industrial real property tax rate is \$21.23 per \$1,000 of assessed valuation for collection year 2012.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in businesses was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied or collected after calendar year 2010. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Personal Property Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount forecasted is based upon information provided by the Belmont County Auditor. The School District anticipates an increase in the amount of \$138,000 due to increases in assessed valuation.

B. - Unrestricted Grants-in-Aid

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The semi-annual payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills multiplied by the school district's taxable property valuation. The per pupil foundation level was set by State Legislature. Beginning in fiscal year 2008, the per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

The per pupil amount for fiscal year 2009 was \$5,783, and that included \$51 for the building blocks.

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-based Model was established in Chapter 3306 of the Ohio Revised Code and links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district's share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal years 2010 and 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, the school districts were guaranteed 99 and 98 percent, respectively, for 2010 and 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012

In fiscal years 2010 and 2011, approximately six percent and nine percent, respectively, of the adequacy funding was provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see D - Restricted Federal Grants-in-Aid) for the Bellaire Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich has proposed a move away from the OEBM to a new formula for fund distribution to school districts. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts in fiscal year 2012 based on a transitional approach until a new formula is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year 2012 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2012 funding is further adjusted so that the district receives at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding as well as financial incentives for high performing districts. For fiscal year 2012, the Bellaire Local School District estimates \$8,766,000 in adequacy funding which is a decrease of \$107,000, based on the allocation allotted by the Ohio Department of Education.

C. - Restricted Grants-in-Aid

In previous fiscal years, restricted grants distributed as part of the Foundation program such as Poverty Based Assistance, Bus Purchase Allowance, and Career Tech funding were reflected in this account. For fiscal year 2012, \$26,000 of restricted grants-in-aid, related to Career Tech funding, is forecasted.

D. - Restricted Federal Grants-in-Aid

In fiscal years 2010 and 2011, restricted federal grants in aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education was distributed to school districts as part of their foundation settlement payments twice a month. The School District received \$605,000 and \$756,000 in fiscal years 2010 and 2011 respectively. These funds had limited restrictions on their use. The School District chose to use these funds for teacher salaries and benefits. SFSF concluded in fiscal year 2011 and has not been reauthorized by the federal government.

In 2010, Congress passed and the President signed legislation that provides \$10 billion in resources to assist local school districts in creating or saving education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses such as support services necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds have limited restrictions on their use. The School District has chosen to use these funds for salaries and benefits for fiscal year 2012.

The School District anticipates \$261,000 in federal grants-in-aid related to Education Jobs monies for fiscal year 2012.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012

E. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption increased State allocation revenue and decreased property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. Based on the 2006 data, in the first five years, the School District would be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013, and then beginning in fiscal year 2013, the reimbursements were to be gradually phased out. The reimbursement was to be for the difference between the assessed values under prior law and the assessed values under House Bill 66. That meant the School District was only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. During fiscal year 2011, House Bill 153 replaced the existing 2006 reimbursement schedules and accelerated the phase out of reimbursements. Due to the accelerated phase out, the School District received its final reimbursement during fiscal year 2011.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecasted Fiscal Year 2012	Variance
Homestead and Rollback	\$324,000	\$328,000	\$332,000	\$343,000	\$11,000
Tangible Personal Property					
Loss Reimbursement	66,000	136,000	102,000	0	(102,000)
Totals	<u>\$390,000</u>	<u>\$464,000</u>	<u>\$434,000</u>	<u>\$343,000</u>	<u>(\$91,000)</u>

F. - All Other Revenues

All other revenues include tuition, interest, rental income, student class fees, fingerprint fees, Medicaid (MSP) reimbursements, and other revenue.

Open enrollment tuition revenue is expected to decrease by \$10,000 based on the most recent data provided by the State Department of Education.

Interest is based on historical investment practices, anticipated interest rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Due to decreasing cash balances, interest revenue is expected to decrease \$13,000 from the prior year.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012

The School District is expecting to receive \$60,000 in reimbursements from the Medicaid Schools Program (MSP) during fiscal year 2012 for students currently being served under the Federal program guidelines.

Other revenues are forecasted to increase due to a one-time refund of \$57,000 of School Employees Retirement System related to fiscal year 2011 estimated amounts, as well as E-RATE funding of \$51,000.

All other revenues consist of the following:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecasted Fiscal Year 2012	Variance Increase (Decrease)
Open Enrollment Tuition	\$469,000	\$498,000	\$593,000	\$583,000	(\$10,000)
Other Tuition	312,000	219,000	143,000	144,000	1,000
Extracurricular Transportation	21,000	12,000	12,000	12,000	0
Interest	19,000	19,000	19,000	6,000	(13,000)
Rentals	2,000	1,000	0	6,000	6,000
Student Class Fees	24,000	18,000	17,000	17,000	0
Fingerprint Fees	28,000	17,000	13,000	19,000	6,000
MSP Reimbursements	0	59,000	60,000	60,000	0
Other	17,000	34,000	28,000	133,000	105,000
Totals	<u>\$892,000</u>	<u>\$877,000</u>	<u>\$885,000</u>	<u>\$980,000</u>	<u>\$95,000</u>

G. – Other Financing Sources

Solvency Assistance Advance – During fiscal years 2010 and 2011, the School District received Solvency Assistance Fund Advances in the amount of \$3,667,000 and \$1,273,000 respectively from the State. The solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of the nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advances are repaid over two years from State foundation revenues and are interest free.

Advances In – The School District had \$96,000 in advances in during fiscal year 2011 related to repayment of outstanding advances made during fiscal year 2010. The School District is not forecasting any advances in as there were no outstanding advances at the end of fiscal year 2011.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by administrative contractual agreements.

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Staffing levels for the last three fiscal years and the forecast period are displayed in the following chart. The amounts represent full time equivalents.

	2009	2010	2011	Forecast 2012
General Fund:				
Certified	112	105	83	67
Classified	68	64	56	56
Total General Fund:	180	169	139	123
Other Funds:				
Certified	14	18	13	13
Classified	19	17	19	14
Total Other Funds:	33	35	32	27
Totals	213	204	171	150

On June 30, 2010, the Board of Education approved a labor agreement with the Bellaire Education Association that represents the certified teaching staff of the School District. The Commission approved the labor agreement on September 1, 2010. The agreement is effective September 1, 2009 through June 30, 2012. The agreement provides for a salary freeze during fiscal year 2012. The decrease in certified salaries from fiscal year 2011 to fiscal year 2012 is primarily due to staff reductions through attrition. The decrease is offset slightly by fiscal year 2012 having 27 pays as opposed to the 26 pays in fiscal year 2011.

The current negotiated agreement between the School District and Ohio Association of Public School Employees, which represents the classified staff, covers the period of July 1, 2010 through June 30, 2013. Under the terms of the agreement, there is no allowance for increases in base salary, step increases, as well as no educational incentives for fiscal year 2012. Through retirements, and positions that were kept, all of the classified employees that were a part of the reduction in force during fiscal year 2011 have been recalled to work in the School District. The increase in classified salaries is due to fiscal year 2012 having 27 pays as opposed to the 26 pays in fiscal year 2011.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the criteria set by STRS or SERS. Severance pay to certified employees is equal to thirty-five percent of their unused sick leave not to exceed a total of 94.5 days paid. Classified employees shall receive severance pay at his or her daily rate of pay for thirty-five percent (35 percent) of the employee's accumulated sick leave at the time of retirement. Generally, severance is paid in one lump sum after the employee receives verification from STRS/SERS, although alternate arrangements can be made upon request. Severance payments are anticipated to decrease slightly from fiscal year 2011, as a large number of staff that were eligible for retirement have done so, and been paid severance.

The following is a comparison of salaries and wages for fiscal year 2009, 2010, and 2011 and the forecast period.

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	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Certified Salaries	\$5,697,000	\$5,639,000	\$4,715,000	\$3,710,000	(\$1,005,000)
Classified Salaries	1,391,000	1,413,000	1,356,000	1,413,000	57,000
Substitute Salaries	277,000	237,000	181,000	197,000	16,000
Severance	130,000	36,000	441,000	385,000	(56,000)
Other Salaries and Wages	36,000	30,000	17,000	20,000	3,000
Totals	<u>\$7,531,000</u>	<u>\$7,355,000</u>	<u>\$6,710,000</u>	<u>\$5,725,000</u>	<u>(\$985,000)</u>

B. – Employees’ Retirement/Insurance Benefits

Employees’ retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers compensation, and other benefits arising from the negotiated agreements.

Employer’s retirement costs are based on the employers’ contribution rate of 14 percent of gross wages for both the STRS and SERS retirement systems and portions of the employees’ contribution paid by the Board of Education. The School District pays 7 percent of the employees’ retirement (partial pick up) for teaching employees, 10 percent (full pick up) for administrative employees, and 4 percent (partial pick up) of the classified employees’ contributions. The forecasted retirement also includes the SERS surcharge to fund health care benefits for employees earning less than a minimum salary amount. Payments for the employers’ share of the retirements are made based upon estimated salary and wages for each fiscal year, which are withheld from the bi-monthly State Foundation payments. The School District remits the employees’ contributions to the retirement systems following each payroll. The School District is forecasting a decrease in employer’s retirement based on the reduction of positions as reflected in the assumption for salaries.

In prior fiscal years, SERS has been paid six months in arrears by Ohio school districts. In order to eliminate the arrearage, on March 18, 2010, the SERS board decided to provide school districts two options. Option one is for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Bellaire Local School District chose option two, and as a result, additional payments have been withheld from foundation settlements during the fiscal year accordingly to eliminate the School District’s arrearage amount. During fiscal year 2012, the School District will have \$28,000 withheld from foundation during fiscal year 2012, leaving \$113,000 in arrearage at June 30, 2012.

The School District provides medical/surgical, prescription drug, and dental care on a self-insured basis, and provides vision and life benefits through separate insurance carriers. Rates for the self-insured coverage are based on recommended amounts from the School District’s third party administrator and adopted by the Board of Education on a yearly basis. Health, prescription drug, and dental rates are effective October 1 each year, with all other insurance rates effective September 1. Effective October 1, 2011, there was an approximate 8 percent premium increase. During fiscal year 2012, there was no change to the teachers’ or administrators’ share of health care premium, and classified employees’ share of the health care premium increased by 5 percent. The Board-paid share of the monthly premiums per employee, are \$682.62 per single and \$1,629.92 per family for health insurance, \$54.00 for dental insurance, \$15.31 for vision insurance, and \$8.00 for life insurance.

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All funds are charged for the number of employees' participating in the program and the type (single or family) of coverage provided to each employee. Due to a reduced number of employees participating in coverage, a decrease is forecasted for insurance benefits.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District chooses to make one payment.

Medicare is based on a percentage of wages and is estimated to increase in fiscal year 2012, based on an additional number of employees subject to Medicare withholding.

For fiscal year 2012, unemployment decreased from the prior fiscal year. This is due to almost all of those receiving unemployment compensation in the prior year either being recalled to work in the School District or finding employment elsewhere.

The following is a comparison of employees' retirement and benefits for fiscal years 2009, 2010, 2011, and the forecast period:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Employer's Retirement	\$1,561,000	\$1,607,000	\$1,343,000	\$1,082,000	(\$261,000)
Health Care/Life Insurance	2,047,000	2,235,000	2,136,000	1,926,000	(210,000)
Workers' Compensation	104,000	24,000	35,000	30,000	(5,000)
Medicare	69,000	68,000	56,000	58,000	2,000
Unemployment	10,000	1,000	59,000	33,000	(26,000)
Totals	<u>\$3,791,000</u>	<u>\$3,935,000</u>	<u>\$3,629,000</u>	<u>\$3,129,000</u>	<u>(\$500,000)</u>

C. - Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Professional and Technical Services	\$78,000	\$39,000	\$38,000	\$34,000	(\$4,000)
Property Services	114,000	115,000	112,000	117,000	5,000
Travel and Meeting Expenses	8,000	6,000	7,000	7,000	0
Communication Costs	44,000	38,000	47,000	43,000	(4,000)
Utility Services	397,000	348,000	297,000	296,000	(1,000)
Tuition and Other Similar Payments	<u>1,350,000</u>	<u>1,660,000</u>	<u>1,524,000</u>	<u>1,642,000</u>	<u>118,000</u>
Totals	<u>\$1,991,000</u>	<u>\$2,206,000</u>	<u>\$2,025,000</u>	<u>\$2,139,000</u>	<u>\$114,000</u>

The total increase in purchased services is largely due to Sargus Center bills incurred in fiscal year 2011 not being paid until fiscal year 2012. The School District is also paying increased Community School costs in fiscal year 2012 due to the increased number of students attending community schools. The

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School District joined the OME-RESA electric cooperative during fiscal year 2012 which will result in savings due to group purchasing as well as changes in insurance carriers for property, fleet and liability insurance, effective December, 2011 which will also result in insurance savings. These savings are offset by increases in other utility rates.

D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
General Supplies, Textbooks, Library Books and Periodicals	\$286,000	\$247,000	\$179,000	\$182,000	\$3,000
Operations, Bus Supplies and Repairs	195,000	165,000	200,000	186,000	(14,000)
Janitorial Supplies	55,000	46,000	42,000	45,000	3,000
Totals	<u>\$536,000</u>	<u>\$458,000</u>	<u>\$421,000</u>	<u>\$413,000</u>	<u>(\$8,000)</u>

The decrease in operations, bus supplies and repairs relates to bus rerouting. The School District is limiting purchasing of supplies to the prior year level, and due to changes in State law, is no longer subject to mandatory set-aside funding for textbooks and educational supplies that will result in a decrease in expenditures for these items.

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. During fiscal year 2012, the School District is forecasting \$50,000 in capital outlay expenditures related to the purchase of three used buses.

F. - Debt Service

The School District participated in the State Solvency Assistance Fund in fiscal years 2010 and 2011. The School District received \$1,273,000 in State Solvency Assistance proceeds at zero percent interest during fiscal year 2011, of which \$636,500 will be repaid during fiscal year 2012 leaving an outstanding balance of \$636,500 as of June 30, 2012. The School District had received \$3,667,000 in State Solvency Assistance proceeds during fiscal year 2010, of which \$1,833,500 will be repaid during fiscal year 2012, fully satisfying the obligation at June 30, 2012. The loans are repaid through deductions in the State Foundation.

G. - Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$231,000, which is \$53,000 higher than the prior fiscal year. The increase is primarily due to additional services being provided through the Educational Service Center.

H. - Transfers and Advances Out

For fiscal year 2012, advances to federal grant funds are expected to be \$50,000. These advances will be repaid in the following fiscal year when revenue is received.

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Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2012, are estimated to be \$100,000.

Note 9 - Restrictions of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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.

Effective July 1, 2011, House Bill 30, the “Unfunded Mandates Relief Act”, eliminates the requirement that school districts annually set aside an amount per pupil into a textbook and instructional materials fund.

Under Sections 3315.17(B)(2) and 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the capital improvement set aside. The School District is anticipating meeting the full capital improvement set-aside requirement for fiscal year 2012.

The only restricted fund balance forecasted is the remaining bus purchase allowance received in prior years that has not been spent.

Note 10 - Levies

Date	Type	Amount	Term	Election Results
April 2, 2006	Permanent Improvement (Renewal)	3.00 mills	5 Years	Passed
May 4, 2010	Emergency	1,396,200	5 Years	Failed
November 2, 2010	Emergency	1,396,200	5 Years	Failed
May 3, 2011	Income Tax	1%	5 Years	Failed
November 8, 2011	Permanent Improvement (Renewal)	3.00 mills	5 Years	Passed
November 8, 2011	Income Tax	1%	5 Years	Failed

Note 11 - Pending Litigation

The School District’s management is of the opinion that there are no issues that would have a material effect on the financial forecast.

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Note 12 – Employee Benefits Self-Insurance Fund

The School District provides medical/surgical, prescriptions, and dental benefits through two separate self-insurance programs. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of \$55,000 per person, per year. For fiscal year 2012, the School District anticipates premiums and stop loss reimbursements to be sufficient to cover the claims and administrative costs.

Note 13 – Financial Planning and Supervision Commission

On December 31, 2009, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission have been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Belmont County Auditor. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must in accordance with the plan.

The Commission approved the Bellaire Local School District’s financial recovery plan on September 29, 2010.

Note 14 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October of 2011 covered fiscal years 2012 through 2016 and assumes the continued operation of the School District with fairly consistent revenues. The plan represents a positive cash balance beginning in fiscal years 2014 through fiscal year 2016. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2012 and will cover fiscal years 2012 through 2016.

The information in this note is less reliable than the information presented in the financial forecast, and accordingly, is presented for analysis purposes only. Furthermore, there can be no assurances that the events and circumstances described in this note will occur.



Dave Yost • Auditor of State

BELLAIRE LOCAL 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
MARCH 8, 2012**