



Dave Yost • Auditor of State



**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Total Governmental Fund Balances to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	17
Statement Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Classroom Facilities Maintenance Fund .....	18
Statement of Fund Net Assets – Proprietary Fund .....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund .....	20
Statement of Cash Flows – Proprietary Fund.....	21
Statement of Fiduciary Net Assets – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund .....	23
Notes to the Basic Financial Statements .....	25
Federal Awards Receipts and Expenditures Schedule.....	57
Notes to the Federal Awards Receipts and Expenditures Schedule .....	58
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	59
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	61

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Schedule of Findings - OMB Circular A-133 § .505 .....	63
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	65



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Bellaire Local School District  
Belmont County  
340 34<sup>th</sup> Street  
Bellaire, Ohio 43906

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Classroom Facilities Maintenance Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in Note 1 to the financial statements, the School District suffered recurring losses from operations and has a net asset deficiency that raise substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316. Note 23 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the 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 basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 31, 2012

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The discussion and analysis of Bellaire Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- Net assets increased \$903,302.
- General revenues accounted for \$11,999,566 in revenue or 66 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$6,187,910 or 34 percent of total revenues of \$18,187,476.
- Total assets of governmental activities decreased by \$428,632 primarily due to annual depreciation on capital assets, which was offset slightly by increases in intergovernmental receivables. The School District's total liabilities decreased \$1,331,934 due primarily to decreases in accrued wages and benefits, as well as the repayment of a portion of the State Operating Loan and scheduled repayments of long-term debt.
- The School District had \$17,284,174 in expenses related to governmental activities; only \$6,187,910 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,999,566 were adequate to provide for these programs.
- Total Governmental Funds had \$18,051,533 in revenues and \$16,894,772 in expenditures. The balance of Total Governmental Funds increased by \$1,156,761.

**Using this Annual Financial Report**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the General Fund, the Debt Service Fund, and the Classroom Facilities Maintenance Special Revenue Fund are the only major or significant funds.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all considered to be Governmental Activities:

- Governmental Activities – The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, debt service and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Debt Service Fund and the Classroom Facilities Maintenance Fund.

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

**Reporting the District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for a scholarship program. This activity is presented as a private purpose-trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other government units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.



**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1  
Net Assets

	Government Activities		Change
	2011	2010	
<b>Assets</b>			
Current and Other Assets	\$7,160,642	\$6,526,148	\$634,494
Capital Assets	19,950,302	21,013,428	(1,063,126)
Total Assets	27,110,944	27,539,576	(428,632)
<b>Liabilities</b>			
Long-Term Liabilities	4,275,919	4,821,196	(545,277)
Other Liabilities	7,809,125	8,595,782	(786,657)
Total Liabilities	12,085,044	13,416,978	(1,331,934)
<b>Net Assets</b>			
Invested in Capital Assets Net of Debt	17,244,772	18,069,632	(824,860)
Restricted	2,925,317	2,481,294	444,023
Unrestricted (Deficit)	(5,144,189)	(6,428,328)	1,284,139
Total Net Assets	\$15,025,900	\$14,122,598	\$903,302

Total assets decreased \$428,632 primarily due to annual depreciation on capital assets, which was offset slightly by an increase in intergovernmental receivables. Total liabilities decreased \$1,331,934 due primarily to decreases in accrued wages and benefits, as well as the repayment of a portion of the State Operating Loan and scheduled repayments of long-term debt.

Total net assets of the School District's governmental activities increased \$903,302. Unrestricted (deficit) net assets decreased by \$1,284,139. Invested in capital assets, net of debt decreased by \$824,860 due primarily to annual depreciation expense.

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

Table 2  
Changes in Net Assets

	Government Activities		Change
	2011	2010	
<b>Revenues</b>			
Program Revenue			
Charges for Services and Sales	\$1,267,913	\$1,149,843	\$118,070
Operating Grants and Contributions	4,919,997	2,430,617	2,489,380
Capital Grants and Contributions	0	3,889	(3,889)
<b>Total Program Revenue</b>	<b>6,187,910</b>	<b>3,584,349</b>	<b>2,603,561</b>
General Revenue			
Property Taxes	2,544,964	2,592,743	(47,779)
Grants and Entitlements	9,385,512	9,918,210	(532,698)
Gifts and Donations	6,425	13,000	(6,575)
Investment Earnings	28,936	34,787	(5,851)
Miscellaneous	33,729	52,606	(18,877)
<b>Total General Revenue</b>	<b>11,999,566</b>	<b>12,611,346</b>	<b>(611,780)</b>
<b>Total Revenues</b>	<b>18,187,476</b>	<b>16,195,695</b>	<b>1,991,781</b>
<b>Program Expenses</b>			
Instruction:			
Regular	8,220,689	8,844,652	(623,963)
Special	2,003,770	2,138,668	(134,898)
Vocational	2,009	22,374	(20,365)
Student Intervention Services	0	22,876	(22,876)
Support Services:			
Pupil	1,364,019	1,396,747	(32,728)
Instructional Staff	204,039	131,279	72,760
Board of Education	28,089	27,277	812
Administration	1,190,331	1,380,280	(189,949)
Fiscal	412,770	399,091	13,679
Operation and Maintenance of Plant	1,412,973	1,639,545	(226,572)
Pupil Transportation	1,205,205	1,050,860	154,345
Central	889	980	(91)
Operation of Non-Instructional Services	146,181	232,686	(86,505)
Food Service Operations	662,176	842,901	(180,725)
Extracurricular Activities	294,985	299,115	(4,130)
Interest and Fiscal Charges	136,049	290,622	(154,573)
<b>Total Expenses</b>	<b>17,284,174</b>	<b>18,719,953</b>	<b>(1,435,779)</b>
Change in Net Assets	903,302	(2,524,258)	3,427,560
Net Assets Beginning of Year	14,122,598	16,646,856	(2,524,258)
Net Assets End of Year	\$15,025,900	\$14,122,598	\$903,302

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**Governmental Activities**

Property taxes made up approximately 14 percent of revenues for the School District in fiscal year 2011. This revenue source decreased slightly from fiscal year 2010 primarily due to very little growth in tax valuations and due to the loss of personal property tax revenue. Charges for Services revenue increased slightly from fiscal year 2010. Operating grants and contributions increased \$2,489,380 from fiscal year 2010 due to American Recovery and Reinvestment Act, Education Jobs, and other program specific federal monies.

Instruction comprises approximately 59 percent of governmental program expenses and decreased \$802,102 from fiscal year 2010. The decrease is due primarily to the School District being declared in Fiscal Emergency. As part of the Fiscal Emergency legislation, the School District is required to submit a spending reduction plan to address the overall financial condition of the School District. Overall, program expenses of the School District decreased by \$1,435,779, as a result of the reductions.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2011 compared to fiscal year 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
 Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2011	2010	2011	2010
Instruction:				
Regular	\$8,220,689	\$8,844,652	\$6,042,551	\$8,077,961
Special	2,003,770	2,138,668	543,049	1,182,091
Vocational	2,009	22,374	(23,544)	(2,969)
Student Intervention Service	0	22,876	0	(14,630)
Support Services				
Pupils	1,364,019	1,396,747	298,777	893,326
Instructional Staff	204,039	131,279	40,200	78,996
Board of Education	28,089	27,277	28,089	27,277
Administration	1,190,331	1,380,280	1,108,908	1,310,550
Fiscal	412,770	399,091	351,430	340,862
Operation and Maintenance of Plant	1,412,973	1,639,545	1,308,434	1,548,574
Pupil Transportation	1,205,205	1,050,860	1,123,325	1,050,459
Central	889	980	889	980
Operation of Non-Instructional Services	146,181	232,686	19,315	60,835
Food Service Operations	662,176	842,901	(2,053)	129,815
Extracurricular Activities	294,985	299,115	120,845	160,855
Interest and Fiscal Charges	136,049	290,622	136,049	290,622
Total Expenses	<u>\$17,284,174</u>	<u>\$18,719,953</u>	<u>\$11,096,264</u>	<u>\$15,135,604</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 64 percent of expenses are supported through taxes and other general revenues.

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. The School District has three major funds, the General Fund, the Debt Service Fund, and the Classroom Facilities Maintenance Special Revenue Fund. The General Fund had \$12,255,962 in revenues and \$11,485,302 in expenditures. The General Fund's balance increased \$770,660. The Debt Service Fund had revenues in the amount of \$385,534 and total expenditures in the amount of \$316,279 that resulted in a fund balance increase in the amount of \$69,255. The Classroom Facilities Maintenance Fund had revenue in the amount of \$102,201 and total expenditures in the amount of \$145,961 that resulted in a fund balance decrease in the amount of \$43,760.

**Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund and the Classroom Facilities Maintenance Special Revenue Fund.

During the course of fiscal 2011 the School District amended its General Fund and the Classroom Facilities Maintenance Special Revenue Fund appropriations, and the budgetary statements reflect both the original and final appropriated amounts. For the General Fund, estimated revenues varied as final budgeted taxes and intergovernmental revenues were less than original. General Fund budgeted expenditures varied as final appropriations were greater than original due to increases in support services and extracurricular activities, which were offset slightly by decreases in instructional appropriations. Variances between actual and final budgeted amounts, in the General Fund, were not significant for revenues, and actual expenses in most categories were slightly higher than budgeted. For the Classroom Facilities Maintenance Special Revenue Fund, there were no significant variances from original budget to final budget for estimated revenues. Classroom Facilities Maintenance Special Revenue Fund budgeted expenditures varied as final appropriations were greater than original due to increases in support services operation and maintenance of plant and capital outlay. Variances between actual and final budgeted amounts were not significant for revenues or expenses.

***Capital Assets and Debt Administration***

***Capital Assets***

At the end of fiscal 2011, the School District had \$19,950,302 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 5 shows fiscal 2011 balances compared to 2010:

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Table 4  
 Capital Assets Net of Depreciation

	Government Activities	
	2011	2010
Land	\$718,812	\$718,812
Land Improvements	743,001	891,324
Buildings and Improvements	17,810,553	18,580,102
Furniture and Equipment	578,186	666,082
Vehicles	99,750	157,108
<b>Totals</b>	<b>\$19,950,302</b>	<b>\$21,013,428</b>

For more information on capital assets see Note 9 to the basic financial statements.

**Debt**

At June 30, 2011 the School District had \$2,746,677 in general obligation bonds and \$55,964 in capital leases outstanding.

Table 5 summarizes bonds outstanding:

Table 5  
 Outstanding Debt at Year End

	Government Activities	
	2011	2010
2000 School Facilities Bonds		
Serial Bonds	\$765,000	\$930,000
2009 School Improvement Refunding Bonds		
Serial Bonds	1,395,000	1,395,000
Term Bonds	135,000	165,000
Capital Appreciation Bonds	249,996	249,996
CAB Accretion	58,620	30,755
Premium	143,061	156,067
<b>Total General Obligation Bonds</b>	<b>2,746,677</b>	<b>2,926,818</b>
Capital Leases	55,964	89,723
<b>Total</b>	<b>\$2,802,641</b>	<b>\$3,016,541</b>

See note 16 for more detailed information on the School District's debt.

**Economic Factors**

The School District continues to experience financial difficulty, as reflected in the financial statements. As the change in fund balances and net assets reflect, the adopted spending reduction plan is making progress in addressing the fiscal issues. The School District continues to experience difficulty in

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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addressing the fiscal issues with the loss of average daily membership, as reported in the October, 2011 count, see subsequent event note for further details. As the preceding information reflects, the School District relies heavily on state funding as well as property taxpayers. During fiscal year 2010, the School District was declared in Fiscal Emergency. The School District has received State Operating Loans in fiscal years 2010 and 2011 in the amounts of \$3,667,000, and \$1,273,000, respectively. These are zero interest loans that will be repaid through reductions of State Foundation revenue over a two year period. The School District has implemented a spending reduction plan as part of the requirements under the fiscal emergency legislation. As part of the plan to address the current financial situation, the School District had placed a 1 percent income tax levy on the ballot, November 8, which failed. The School District is currently working to revise the recovery plan in order to become fiscally solvent.

Although the School District is experiencing financial difficulty, the School District obtained an "Excellent" rating on the state report card, and remains the Pride of the "All-American Town." The mission statement of the Bellaire Local School District is to "Strive to develop students who will become productive citizens in both school and later in the community. These students will be given the opportunity to develop healthy self-esteem, respectful attitudes, and a skill base that will prepare them to be successful adults." Approximately 60 percent of the School District's students are economically disadvantaged and 25 percent are identified as students with disabilities.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cynthia Shaw, Treasurer/CFO at Bellaire Local School District, 340 34<sup>th</sup> Street, Bellaire, Ohio 43906.

**Bellaire Local School District**  
*Statement of Net Assets*  
June 30, 2011

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,361,516
Accrued Interest Receivable	177
Intergovernmental Receivable	753,310
Investments	330,405
Prepaid Items	42,571
Materials and Supplies Inventory	78,070
Property Taxes Receivable	3,021,770
Cash and Cash Equivalents with Fiscal Agents	534,332
Deferred Charges	38,491
Non-Depreciable Capital Assets	718,812
Depreciable Capital Assets, Net	19,231,490
 Total Assets	 27,110,944
<b>Liabilities</b>	
Accounts Payable	63,905
Accrued Wages and Benefits Payable	1,374,919
Intergovernmental Payable	443,268
Matured Severance Payable	293,300
Vacation Benefits Payable	86,707
Accrued Interest Payable	8,268
Claims Payable	250,759
Deferred Revenue	2,181,499
State Operating Loan Payable	3,106,500
Long-Term Liabilities:	
Due Within One Year	379,457
Due In More Than One Year	3,896,462
 Total Liabilities	 12,085,044
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	17,244,772
Restricted for:	
Capital Projects	263,798
Debt Service	698,833
Classroom Facilities Maintenance	1,140,726
State Programs	431,022
Federal Programs	260,793
Bus Purchase	55,562
Other Purposes	74,583
Unrestricted (Deficit)	(5,144,189)
 Total Net Assets	 \$15,025,900

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$8,220,689	\$784,455	\$1,393,683	(\$6,042,551)
Special	2,003,770	0	1,460,721	(543,049)
Vocational	2,009	0	25,553	23,544
Support Services:				
Pupil	1,364,019	45,799	1,019,443	(298,777)
Instructional Staff	204,039	0	163,839	(40,200)
Board of Education	28,089	0	0	(28,089)
Administration	1,190,331	4,045	77,378	(1,108,908)
Fiscal	412,770	1,156	60,184	(351,430)
Operation and Maintenance of Plant	1,412,973	0	104,539	(1,308,434)
Pupil Transportation	1,205,205	0	81,880	(1,123,325)
Central	889	0	0	(889)
Operation of Non-Instructional Services	146,181	88,281	38,585	(19,315)
Food Service Operations	662,176	170,037	494,192	2,053
Extracurricular Activities	294,985	174,140	0	(120,845)
Interest and Fiscal Charges	136,049	0	0	(136,049)
<i>Total Governmental Activities</i>	<u>\$17,284,174</u>	<u>\$1,267,913</u>	<u>\$4,919,997</u>	<u>(11,096,264)</u>
 <b>General Revenues</b>				
Property Taxes Levied for General Purposes				1,983,945
Property Taxes Levied for Capital Outlay				190,848
Property Taxes Levied for Debt Service				329,759
Property Taxes Levied for Classroom Facilities Maintenance				40,412
Grants and Entitlements not Restricted to Specific Programs				9,385,512
Gifts and Donations				6,425
Investment Earnings				28,936
Miscellaneous				33,729
<i>Total General Revenues</i>				<u>11,999,566</u>
Change in Net Assets				903,302
<i>Net Assets Beginning of Year</i>				<u>14,122,598</u>
<i>Net Assets End of Year</i>				<u>\$15,025,900</u>

See accompanying notes to the basic financial statements



**Bellaire Local School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2011*

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$0	\$594,101	\$1,125,922	\$520,714	\$2,240,737
Investments	0	0	0	330,405	330,405
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	6,396	0	0	0	6,396
Receivables:					
Property Taxes	2,363,947	389,930	42,976	224,917	3,021,770
Intergovernmental	42,325	0	0	710,985	753,310
Interfund	112,568	0	0	0	112,568
Accrued Interest	0	0	0	177	177
Prepaid Items	36,611	0	1,277	4,683	42,571
Materials and Supplies Inventory	61,230	0	0	16,840	78,070
<i>Total Assets</i>	<u>\$2,623,077</u>	<u>\$984,031</u>	<u>\$1,170,175</u>	<u>\$1,808,721</u>	<u>\$6,586,004</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$35,139	\$0	\$0	\$25,761	\$60,900
Accrued Wages and Benefits	954,821	0	0	420,098	1,374,919
Matured Severance Payable	293,300	0	0	0	293,300
Interfund Payable	0	0	0	112,568	112,568
Intergovernmental Payable	319,409	0	0	123,859	443,268
Deferred Revenue	2,243,988	361,837	39,612	479,490	3,124,927
State Operating Loan Payable	3,106,500	0	0	0	3,106,500
<i>Total Liabilities</i>	<u>6,953,157</u>	<u>361,837</u>	<u>39,612</u>	<u>1,161,776</u>	<u>8,516,382</u>
<b>Fund Balances (Deficit)</b>					
Nonspendable					
Inventories	61,230	0	0	16,840	78,070
Prepays	36,611	0	1,277	4,683	42,571
Restricted for:					
Capital Projects	0	0	0	217,859	217,859
Debt Service	0	622,194	0	0	622,194
Classroom Facilities Maintenance	0	0	1,129,286	0	1,129,286
State Programs	0	0	0	428,716	428,716
Federal Programs	0	0	0	20,264	20,264
Bus Purchase	55,562	0	0	0	55,562
Other Purposes	0	0	0	74,583	74,583
Unassigned	(4,483,483)	0	0	(116,000)	(4,599,483)
<i>Total Fund Balances (Deficit)</i>	<u>(4,330,080)</u>	<u>622,194</u>	<u>1,130,563</u>	<u>646,945</u>	<u>(1,930,378)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,623,077</u>	<u>\$984,031</u>	<u>\$1,170,175</u>	<u>\$1,808,721</u>	<u>\$6,586,004</u>

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2011*

<b>Total Governmental Fund Balances</b>	(\$1,930,378)
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,950,302
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Intergovernmental	269,521
Property Taxes	631,405
Tuition and Fees	42,325
Interest	<u>177</u>
Total	943,428
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	394,951
Unamortized issuance cost represents deferred charges which do not provided current financial resources and, therefore, are not reported in the funds.	38,491
Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources are therefore are not reported in the funds.	(86,707)
In the statement activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(8,268)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General Obligation Bonds - Serial	2,160,000
General Obligation Bonds - Term	135,000
General Obligation Bonds - Capital Appreciation	249,996
Accretion of Capital Appreciation Bonds Interest	58,620
Premium	143,061
Compensated Absences	1,473,278
Capital Leases	<u>55,964</u>
Total	<u>(4,275,919)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$15,025,900</u></u>

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,972,366	\$327,557	\$40,146	\$189,724	\$2,529,793
Intergovernmental	9,411,065	57,977	62,055	4,662,685	14,193,782
Interest	19,013	0	0	5,085	24,098
Tuition and Fees	766,117	0	0	51,683	817,800
Extracurricular Activities	45,233	0	0	128,907	174,140
Contributions and Donations	0	0	0	6,425	6,425
Charges for Services	13,448	0	0	258,318	271,766
Miscellaneous	28,720	0	0	5,009	33,729
<i>Total Revenues</i>	<u>12,255,962</u>	<u>385,534</u>	<u>102,201</u>	<u>5,307,836</u>	<u>18,051,533</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	6,303,762	0	0	1,393,293	7,697,055
Special	707,167	0	0	1,273,615	1,980,782
Vocational	2,009	0	0	0	2,009
Support Services:					
Pupil	366,851	0	0	1,032,426	1,399,277
Instructional Staff	453	0	0	155,293	155,746
Board of Education	23,725	0	0	0	23,725
Administration	1,131,112	0	0	69,381	1,200,493
Fiscal	390,180	8,824	1,046	6,021	406,071
Operation and Maintenance of Plant	1,379,552	0	28,367	518	1,408,437
Pupil Transportation	1,007,888	0	0	88,905	1,096,793
Operation of Non-Instructional Services	0	0	0	146,181	146,181
Food Service Operations	0	0	0	634,393	634,393
Extracurricular Activities	172,603	0	0	87,062	259,665
Capital Outlay	0	0	116,548	20,425	136,973
Debt Service:					
Principal Retirement	0	195,000	0	33,759	228,759
Interest and Fiscal Charges	0	112,455	0	5,958	118,413
<i>Total Expenditures</i>	<u>11,485,302</u>	<u>316,279</u>	<u>145,961</u>	<u>4,947,230</u>	<u>16,894,772</u>
<i>Net Change in Fund Balances</i>	770,660	69,255	(43,760)	360,606	1,156,761
<i>Fund Balances (Deficit) Beginning of Year- Restated (Note 3)</i>	<u>(5,100,740)</u>	<u>552,939</u>	<u>1,174,323</u>	<u>286,339</u>	<u>(3,087,139)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$4,330,080)</u>	<u>\$622,194</u>	<u>\$1,130,563</u>	<u>\$646,945</u>	<u>(\$1,930,378)</u>

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

**Net Change in Fund Balances - Total Governmental Funds** \$1,156,761

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Current Year Depreciation (1,063,126)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Intergovernmental	111,727	
Tuition and Fees	4,207	
Interest	(1,682)	
Property Taxes	15,171	
Total	129,423	129,423

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds - Serial/Term	195,000	
Capital Leases	33,759	
Total	228,759	228,759

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities, and the accretion of interest of capital appreciation bonds is reported in the statement of net activities.

Accrued Interest	722	
Accretion on Capital Appreciation Bonds	(27,865)	
Total	(27,143)	(27,143)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of Bond Issuance Costs	(3,499)	
Amortization of Bond Premium	13,006	
Vacation Benefits Payable	6,368	
Compensated Absences	331,377	
Total	347,252	347,252

The internal service fund used by management to charge the costs of insurance to individual fund is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net income (expenses) of the internal service fund is allocated among governmental activities.

131,376

*Change in Net Assets of Governmental Activities*

\$903,302

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
<b>Revenues</b>				
Property Taxes	\$2,149,433	\$1,973,202	\$1,971,861	(\$1,341)
Intergovernmental	10,344,146	9,427,562	9,421,106	(6,456)
Interest	0	18,496	19,013	517
Tuition and Fees	873,207	766,662	766,117	(545)
Extracurricular Activities	108,095	40,967	45,233	4,266
Charges for Services	0	13,448	13,448	0
Miscellaneous	119	23,052	28,718	5,666
<i>Total Revenues</i>	<u>13,475,000</u>	<u>12,263,389</u>	<u>12,265,496</u>	<u>2,107</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,940,401	6,200,061	6,596,499	(396,438)
Special	945,432	808,291	857,386	(49,095)
Vocational	21,506	13,706	13,340	366
Support Services:				
Pupil	503,246	436,432	459,129	(22,697)
Board of Education	24,932	24,932	23,658	1,274
Administration	1,318,657	1,091,193	1,158,471	(67,278)
Fiscal	513,779	374,404	394,930	(20,526)
Operation and Maintenance of Plant	835,095	1,377,396	1,462,605	(85,209)
Pupil Transportation	585,048	1,019,586	1,029,522	(9,936)
Extracurricular Activities	56,904	168,019	174,516	(6,497)
Debt Service:				
Principal Retirement	0	1,833,500	1,833,500	0
<i>Total Expenditures</i>	<u>12,745,000</u>	<u>13,347,520</u>	<u>14,003,556</u>	<u>(656,036)</u>
Excess of Revenues Over (Under) Expenditures	730,000	(1,084,131)	(1,738,060)	(653,929)
<b>Other Financing Sources</b>				
Advances In	0	96,251	96,251	0
Solvency Assistance Loan Issued	0	1,273,000	1,273,000	0
Total Other Financing Sources	<u>0</u>	<u>1,369,251</u>	<u>1,369,251</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	730,000	285,120	(368,809)	(653,929)
<i>Fund Balance Beginning of Year</i>	195,830	195,830	195,830	0
Prior Year Encumbrances Appropriated	<u>125,093</u>	<u>125,093</u>	<u>125,093</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>\$1,050,923</u></u>	<u><u>\$606,043</u></u>	<u><u>(\$47,886)</u></u>	<u><u>(\$653,929)</u></u>

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Classroom Facilities Maintenance Fund*  
*For the Fiscal Year Ended June 30, 2011*

	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
<b>Revenues</b>				
Property Taxes	\$39,000	\$40,400	\$40,153	(\$247)
Intergovernmental	60,000	62,155	62,686	531
Interest	1,000	1,036	752	(284)
<i>Total Revenues</i>	<u>100,000</u>	<u>103,591</u>	<u>103,591</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Support Services:				
Fiscal	0	1,048	1,046	2
Operation and Maintenance of Plant	4,661	34,611	34,609	2
Capital Outlay	95,339	116,641	116,548	93
<i>Total Expenditures</i>	<u>100,000</u>	<u>152,300</u>	<u>152,203</u>	<u>97</u>
<i>Net Change in Fund Balance</i>	0	(48,709)	(48,612)	97
<i>Fund Balance Beginning of Year</i>	1,086,022	1,086,022	1,086,022	0
Prior Year Encumbrances Appropriated	81,595	81,595	81,595	0
<i>Fund Balance End of Year</i>	<u>\$1,167,617</u>	<u>\$1,118,908</u>	<u>\$1,119,005</u>	<u>\$97</u>

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2011*

	Governmental Activity
	Internal Service Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$114,383
Cash and Cash Equivalents with Fiscal Agents	534,332
<i>Total Assets</i>	648,715
<b>Current Liabilities</b>	
Accounts Payable	3,005
Claims Payable	250,759
<i>Total Liabilities</i>	253,764
<b>Net Assets</b>	
Unrestricted	\$394,951

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$3,213,858
<b>Operating Expenses</b>	
Purchased Services	140,690
Claims	2,948,312
<i>Total Operating Expenses</i>	3,089,002
<i>Operating Income</i>	124,856
<b>Non-Operating Revenues</b>	
Interest	6,520
<i>Change in Net Assets</i>	131,376
<i>Net Assets Beginning of Year</i>	263,575
<i>Net Assets End of Year</i>	\$394,951

See accompanying notes to the basic financial statements



**Bellaire Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2011

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$3,213,858
Cash Payments for Services	(141,046)
Cash Payments for Claims	(2,762,494)
	310,318
<b>Cash Flows from Investing Activities</b>	
Interest	6,520
	6,520
<i>Net Cash Provided by Investing Activities</i>	6,520
<i>Net Increase in Cash and Cash Equivalents</i>	316,838
<i>Cash and Cash Equivalents Beginning of Year</i>	331,877
<i>Cash and Cash Equivalents End of Year</i>	\$648,715
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$124,856
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	153,157
Decrease in Accounts Payable	(356)
Increase in Claims Payable	32,661
	310,318
<i>Net Cash Provided by Operating Activities</i>	\$310,318

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$507,139	\$53,979
Investments	5,000	0
Accrued Interest Receivable	193	0
<i>Total Assets</i>	512,332	\$53,979
<b>Liabilities</b>		
Undistributed Monies	0	\$6,389
Due to Students	0	47,590
<i>Total Liabilities</i>	0	\$53,979
<b>Net Assets</b>		
Held in Trust for Scholarships	512,332	
<i>Total Net Assets</i>	\$512,332	

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Private Purpose Trust Fund
<b>Additions</b>	
Interest	\$3,993
<b>Deductions</b>	
Scholarships Awarded	1,000
<i>Change in Net Assets</i>	2,993
<i>Net Assets Beginning of Year</i>	509,339
<i>Net Assets End of Year</i>	\$512,332

See accompanying notes to the basic financial statements

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**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Bellaire Local 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 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 these districts was in January 1960 when the Key-Pultney District joined the Bellaire District. The Bellaire School District consolidated again in 2001 when seven elementary and middle school buildings were closed and the district moved to two new facilities. Bellaire Elementary School consists of grades kindergarten through fourth; Bellaire Middle School encompasses grades five through eight and Bellaire High School houses grades nine through twelve. The School District encompasses 48 square miles of rolling hills and small communities in Belmont County. The School District's eastern border is the Ohio River. The School District is staffed by 78 non-certificated employees, 77 full-time teaching personnel and 9 administrative employees who provide services to 1,258 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 bus garage.

The School District, which had previously been declared to be in a state of "Fiscal Caution" and then "Fiscal Watch" by the Ohio Department of Education on April 24, 2009, and September 10, 2009, respectively, has been elevated to the state of "Fiscal Emergency." The School District did not provide an acceptable proposal to the Ohio Department of Education, and on December 31, 2009, the Auditor of State declared the School District to be in a state of "Fiscal Emergency." In accordance with State Statute, a five member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of the State Director of the Office of Budget and Management (or designee), the State Superintendent of Public Instruction (or designee), a resident/business owner within the School District appointed by the Belmont County Auditor, a local business person appointed by the Governor, and a parent with a child enrolled within the School District appointed by the State Superintendent of Public Instruction. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the School District Plan on May 5, 2010 which was submitted to the Ohio Department of Education for approval and was subsequently rejected. The Commission then adopted a revised School District Plan on September 29, 2010.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure 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 Local 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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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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. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is involved with seven organizations; four jointly governed organizations, one risk sharing, claims servicing, and insurance purchasing pool, one insurance purchasing pool, and one related organization. These organizations include the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Educational Regional Service System Region 12 (ERSS), and the Coalition of Rural and Appalachian Schools (CORAS), the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, and the Bellaire Public Library. These organizations are presented in Notes 18, 19, and 20.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 governmental 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**

The School District's financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

***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.

***Debt Service Fund*** - The Debt Service Fund is used to account for the accumulation of resources for, and the repayment of long-term debt principal and interest.

***Classroom Facilities Maintenance Special Revenue Fund*** - The Classroom Facilities Maintenance Fund is used to account for a 0.5 mill levy for twenty three years relating to the school facilities bond issue. The fund is required by the Ohio Schools Facilities Commission for the facilities maintenance and replacement of facility assets.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

***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. The School District's only internal service fund accounts for the

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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operation of the School District's self-insurance program for employee medical, prescription drug and dental claims.

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

### **C. Measurement Focus**

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust fund is reported using the economic resources measurement focus.

### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** 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



**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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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 60 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. On the accrual basis, 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 nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

### **E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The School District has cash with fiscal agent held separate from the School District's central bank account. This account is maintained by the School District's self-insurance third party administrator for medical and prescription drug coverage and is presented in the statement of net assets as "cash and cash equivalents with fiscal agents."

During fiscal year 2011, investments were limited to non-negotiable certificates of deposit, negotiable certificates of deposit, and money market mutual funds. The negotiable certificates of deposit are reported at fair value, which is based on quoted market prices. Money market mutual funds are reported at current share value. Non-negotiable certificates of deposits are reported at cost.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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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 2011 amounted to \$19,013 which was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as equity in pooled cash and cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

The Education Jobs Grant Fund made disbursements in excess of their equity interest in the cash management pool. The amount of this excess is reported as an interfund payable to the General Fund.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. The School District did not have enough unrestricted cash in the General Fund at fiscal year end to fully restrict bus purchase. Therefore, restricted assets in governmental funds represent available, unexpended resources restricted for the purchase of buses.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption, purchased food, donated food and school supplies.

**I. Capital Assets**

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition 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 thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-50 Years
Buildings and Improvements	20-50 Years
Furniture and Equipment	5-20 Years
Vehicles	5-8 Years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

**K. 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 employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Interfund Activity**

Transfers within government activities on the government-wide statements are reported in the same manner as general revenue.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**N. Fund Balance**

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources required to be used for local resources restricted to expenditures for specified purposes. Of the total restricted net assets, none has resulted from enabling legislation.

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

**Q. Estimates**

The preparation of 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 may differ from those estimates.

**R. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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be made by resolution of the Board of Education. The Treasurer is given the authority to further allocate appropriations among objects in all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

*Changes in Accounting Principles* - For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

*Restatement of Prior Year’s Fund Balance* - Due to the implementation of GASB Statement No. 54, fund reclassification occurred for one fund that had previously been reported as a special revenue fund and is now being combined with the General Fund in accordance with the new standards. The effect of the change is as follows:

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010	(\$5,128,235)	\$313,834
Restatement, Fund Classification	27,495	(27,495)
Adjusted Fund Balance, June 30, 2010	(\$5,100,740)	\$286,339

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

At June 30, 2011, the following funds had deficit fund balances:

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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	<u>Deficit Fund Balance</u>
General Fund	\$4,330,080
<u>Other Governmental Funds:</u>	
Food Service Special Revenue Fund	72,517
Miscellaneous Federal Grants Fund	24,089

The deficit in the General Fund was created by the application of generally accepted accounting principles. The primary cause of the deficit balance is the liability for the solvency loan payable, other accrued liabilities, as well as advances to cover the Education Jobs Grant Fund cash deficit.

The deficits in the Food Service Special Revenue Fund and Miscellaneous Federal Grants Fund were created by the application of generally accepted accounting principles, as well as failure to adequately fund these programs. These funds generally receive transfers from the General Fund when cash is needed rather than when accruals occur.

**B. Legal Compliance**

Expenditures exceeded appropriations in the General and Internal Service Funds contrary to Section 5705.41(B), Revised Code, in the amounts of \$656,036 and \$498,639, respectively.

The Education Jobs Grant Fund and the Food Service Special Revenue Fund had deficit cash balances contrary to Section 5705.10, Revised Code, in the amount of \$112,157 and \$411 respectively. The deficit in the Education Jobs Grant Fund is due to timing of receipts, and the deficit in the Food Service Special Revenue is due to receipts being inadequate to fund the program.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Adjustments to record investments at market value are reported on the balance sheet (GAAP basis), but not on the budget basis.
5. Advances in are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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6. Proceeds from and the principal payments on short-term loan obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
7. Unrecorded cash represents amounts received but not included on the budgetary statement, but reported on the operating statement prepared using GAAP. The reconciled difference between the beginning and end of the year is reflected in the following tables as unrecorded cash.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Classroom Facilities Maintenance Special Revenue Fund.

	Net Change in Fund Balance	
	General	Classroom Facilities Maintenance
GAAP Basis	\$770,660	(\$43,760)
Revenue Accruals	9,534	1,077
Advances In	96,251	0
State Operating Loan Proceeds	1,273,000	0
Market Value Adjustment	0	494
Expenditure Accruals	(517,904)	0
Unrecorded Cash	0	(181)
Debt Service - Principal	(1,833,500)	0
Encumbrances	(166,850)	(6,242)
Budget Basis	(\$368,809)	(\$48,612)

**NOTE 6 – DEPOSIT AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:



**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2011, the School District had a cash balance of \$534,332 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (see Note 19), which is a portion of the School District's internal service fund balance. The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

#### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,861,874 of the School District's bank balance of \$3,116,951 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of June 30, 2011, the School District had the following investments, all of which are part of the internal investment pool:

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Money Market					
Mutual Fund	1,979	N/A	1.95%	(1)	(1)
Key Bank National					
Negotiable CD	99,501	10/11/1011	98.05%	N/A	N/A
Totals	\$101,480		100.00%		

(1) Not Available to the School District at June 30, 2011

**Interest Rate Risk.** State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The District's investment policy provides for the same provisions allowed by State Statute.

**Credit Risk.** The School District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable certificates of deposit and the mutual fund are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The School District's policy provides that investments of the District shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. The percentage of total investments is listed in the table above.

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. 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.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

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 counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$162,284 in the General Fund, \$28,093 in the Debt Service Fund, \$15,125 in the Permanent Improvement Capital Projects Fund, and \$3,364 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2010 was \$161,779 in the General Fund, \$27,947 in the Debt Service Fund, \$15,363 in the Permanent Improvement Capital Projects Fund, and \$3,371 in the Classroom Facilities Maintenance Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified basis the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$98,016,570	90.56%	\$98,819,900	90.30%
Public Utility Personal	10,217,660	9.44%	10,611,840	9.70%
	<u>\$108,234,230</u>	<u>100.00%</u>	<u>\$109,431,740</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$34.50		\$34.50

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2011, consisted of property taxes, interest, interfund 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$631,405 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
Excess Costs from Other School Districts	\$42,325
Education Jobs Grant	209,210
Title I	200,560
IDEA Part B	106,035
IDEA Part B (American Recovery and Reinvestment Act)	71,796
Title II-A-Improve Teacher Quality	62,028
Title I (American Recovery and Reinvestment Act)	56,274
Title II-D	4,967
Safe and Drug Free Schools	115
	<u>115</u>
Total Intergovernmental Receivables	<u>\$753,310</u>

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Non-Depreciable Capital Assets:				
Land	\$718,812	\$0	\$0	\$718,812
Depreciable Capital Assets:				
Land Improvements	1,570,652	0	0	1,570,652
Buildings and Improvements	28,588,848	0	0	28,588,848
Furniture and Equipment	1,881,330	0	0	1,881,330
Vehicles	1,466,999	0	0	1,466,999
Total Depreciable Capital Assets	33,507,829	0	0	33,507,829
Accumulated Depreciation:				
Land Improvements	(679,328)	(148,323)	0	(827,651)
Buildings and Improvements	(10,008,746)	(769,549)	0	(10,778,295)
Furniture and Equipment	(1,215,248)	(87,896)	0	(1,303,144)
Vehicles	(1,309,891)	(57,358)	0	(1,367,249)
Total Accumulated Depreciation	(13,213,213)	(1,063,126)	0	(14,276,339)
Total Depreciable Capital Assets, Net	20,294,616	(1,063,126)	0	19,231,490
Governmental Capital Assets, Net	\$21,013,428	(\$1,063,126)	\$0	\$19,950,302

\*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$786,350
Special	4,078
Support Services:	
Pupil	170
Instructional Staff	51,578
Board of Education	4,364
Administration	2,896
Fiscal	10,105
Operation and Maintenance of Plant	21,173
Pupil Transportation	108,938
Central	889
Food Service Operations	37,265
Extracurricular Activities	35,320
Total Depreciation Expense	<u>\$1,063,126</u>

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability Insurance**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011 the School District contracted with Ohio Casualty Insurance Company for property and inland marine coverage, and for fleet insurance and liability insurance. Flood insurance was provided by the National Flood Insurance. The Ohio Casualty Insurance Coverage's provided by Pilney-Foster Insurance Agency of Ohio are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$50,643,142
Automotive Liability (\$500 deductible)	1,000,000
Uninsured Motorist (\$500 deductible)	1,000,000
<i>General Liability:</i>	
Each Occurrence	2,000,000
Aggregated Limit	2,000,000
Personal and Advertising Injury Limit - Each Occurrence:	1,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	1,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	1,000,000
Defense Aggregate	100,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	3,000,000
<i>Employer's Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	2,000,000
Disease - Each Employee	1,000,000
<i>Umbrella Liability:</i>	
Each Occurrence	2,000,000
Aggregated Limit	2,000,000

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

**B. Workers' Compensation**

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). 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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**C. Employee Benefits**

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of eighty-four members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. All employees were covered for medical/surgical and prescription drug coverage through the OME-RESA, self-insured plan.

The Board pays 95 percent of the premiums for the classified employees and 90 percent of the premiums for the certified staff which are \$1,671.49 per family and \$644.65 for single coverage. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$250,759 reported in the internal service fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Dental insurance is offered to employees through a self-insurance program. The School District contracts with a third party administrator (Medical Mutual of Ohio) to handle claims administration and stop-loss coverage. The Board pays 100 percent of the monthly premium of \$54 per covered employee.

Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2010	\$374,945	\$1,869,096	\$2,025,943	\$218,098
2011	218,098	2,795,155 (1)	2,762,494	250,759
(1) Claims Expense		\$2,948,312		
- Net Decrease in Stop Loss Receivable		<u>(153,157)</u>		
Current Year Claims		<u><u>\$2,795,155</u></u>		

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$208,160, \$345,876, and \$206,977, respectively. For fiscal year 2011, 100 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were



**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$659,248 and \$551 for the fiscal year ended June 30, 2011, \$887,706 and \$119 for the fiscal year ended June 30, 2010, and \$876,565 and \$119 for the fiscal year ended June 30, 2009. For fiscal year 2011, 85.82 percent has been contributed for the DB plan and 85.82 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

No contributions were made to STRS Ohio for the DC Plan for fiscal year 2011 by the School District or by the plan members. In addition, member contributions of \$393 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

**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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$33,693 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$28,914, \$13,574, and \$94,722, respectively. For fiscal year 2011, 100 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$15,367, \$20,633, and \$17,077 respectively. For fiscal year 2011, 100 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$54,831, \$63,929, and \$66,224 respectively. For fiscal year 2011, 85.82 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits 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. Current policy permits vacation leave to be accumulated up to one year. 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 260 to 270 days for all employees. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 91 days for classified employees and 94.5 days for certified employees.

**B. Other Insurance Benefits**

The School District provides life insurance to all employees. A \$50,000 life insurance policy is purchased by the School District at a cost of \$8 per month. The School District contracts with Sun Life Insurance to provide this benefit. The School District provides vision insurance through Vision Service Plan at a cost of \$13.76 per month.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 14 – FUND OBLIGATIONS**

**State Operating Loan** - The School District participated in the State Solvency Assistance in fiscal years 2010 and 2011, see Going Concern - Note 23 for additional information. The School District received \$1,273,000 in state operating loan proceeds at zero percent interest during fiscal year 2011. The School District had received \$3,667,000 in state operating loan proceeds during fiscal year 2010, \$1,833,500 of which had been repaid through deductions in the School District's state foundation receipts as of June 30, 2011, leaving a total outstanding balance of \$3,106,500 at June 30, 2011. The amounts remaining on loans will be repaid through the deductions in state foundation receipts according to the following schedule:

<u>Fiscal Year</u>	<u>Principal</u>
2012	\$2,470,000
2013	<u>636,500</u>
Total	<u><u>\$3,106,500</u></u>

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the School District entered into capitalized leases for copying equipment.

The leases meet 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 basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$97,939, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$68,557. Principal payments in fiscal year 2011 totaled \$33,759, in the governmental funds.

Future minimum lease payments through 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$36,561	\$3,156
2013	<u>19,403</u>	<u>455</u>
Totals	<u><u>\$55,964</u></u>	<u><u>\$3,611</u></u>

**NOTE 16 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due In One Year
<b><u>General Obligation Bonds:</u></b>					
2000 School Facilities Bonds					
Serial Bonds \$2,633,000 @ 4.2% to 5.8 %	\$930,000	\$0	\$165,000	\$765,000	\$175,000
2009 School Improvement Refunding Bonds					
Serial Bonds \$1,395,000 @ 3.5%-4.0%	1,395,000	\$0	0	1,395,000	0
Term Bonds \$215,000 @ 2.0%-3.0%	165,000	0	30,000	135,000	30,000
CAB Bonds \$249,996 @ 3.9%-4.0%	249,996	0	0	249,996	0
CAB Accretion \$290,004 @ 9.697%	30,755	27,865	0	58,620	0
Premium \$169,073	156,067	0	13,006	143,061	0
Total 2009 Refunding Bonds	1,996,818	27,865	43,006	1,981,677	30,000
Total General Obligation Bonds	2,926,818	27,865	208,006	2,746,677	205,000
Capital Leases	89,723	0	33,759	55,964	36,561
Compensated Absences	1,804,655	170,816	502,193	1,473,278	137,896
Total General Long-Term Obligations	\$4,821,196	\$198,681	\$743,958	\$4,275,919	\$379,457

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. During fiscal year 2009, the School District made the scheduled repayment of serial bonds in the amount of \$145,000, and advance refunded \$455,000 of serial bonds and \$1,405,000 of the term bonds. The advance refunded portion of the bonds was removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the Debt Service Fund.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Serial Bonds	
	Principal	Interest
2012	\$175,000	\$43,126
2013	185,000	31,696
2014	195,000	19,631
2015	210,000	6,720
Total	\$765,000	\$101,173

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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*2009 School Improvement Refunding General Obligation Bonds* – On April 9, 2009, Bellaire Local School District issued \$1,859,996 of general obligation bonds. The bonds were issued to refund \$1,860,000 of outstanding 2000 School Facilities General Obligation Serial and Term Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2021. At the date of refunding, \$1,983,580 (including premium, and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities General Obligation Serial and Term Bonds. The amortization of the premium for fiscal year 2011 was \$13,006. The amortization of the issuance costs for fiscal year 2011 was \$3,499. See the Defeased Debt portion of this note below for details of the refunded bonds and escrow account.

The 2009 bond issue consists of serial, term and capital appreciation bonds, \$1,395,000, \$215,000, and \$249,996, respectively.

The capital appreciation bonds for this issue mature December 1, 2016 and 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$540,000. The accretion recorded for fiscal year 2011 was \$27,865, leaving a total bond liability of \$308,616.

The term bonds for this issue are subject to optional and mandatory redemption prior to maturity.

The Current Interest Bonds due December 1, 2011 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2009, 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>December 1</u>	<u>Principal Amount to be Redeemed</u>
2009	\$50,000
2010	30,000
	<u>\$80,000</u>

Unless otherwise called for redemption, the remaining \$30,000 principal amount of the bonds due December 1, 2011 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2014 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2013, 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>December 1</u>	<u>Principal Amount to be Redeemed</u>
2013	\$35,000
2014	35,000
	<u>\$70,000</u>

Unless otherwise called for redemption, the remaining \$35,000 principal amount of the bonds due December 1, 2014 is to be paid at stated maturity.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and Interest requirements to retire general obligation bonds for the 2009 School Improvement Refunding Bonds outstanding at June 30, 2011 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2012	\$30,000	\$57,975	\$0	\$0	\$30,000	\$57,975
2013	35,000	57,151	0	0	35,000	57,151
2014	35,000	56,100	0	0	35,000	56,100
2015	35,000	55,050	0	0	35,000	55,050
2016	255,000	50,063	0	0	255,000	50,063
2017-2021	840,000	178,400	249,996	290,004	1,089,996	468,404
2022	300,000	6,000	0	0	300,000	6,000
Totals	<u>\$1,530,000</u>	<u>\$460,739</u>	<u>\$249,996</u>	<u>\$290,004</u>	<u>\$1,779,996</u>	<u>\$750,743</u>

Capital leases will be paid from the Permanent Improvement Capital Projects fund. Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$8,176,051, with an unvoted debt margin of \$109,432 at June 30, 2011.

**Defeased Debt:**

On April 9, 2009, the School District issued \$1,859,996 of general obligation bonds, as detailed above. The bonds were issued to refund \$1,860,000 of outstanding 2000 School Facilities General Obligation Serial and Term Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2021. At the date of refunding, \$1,983,580 (including premium, and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities General Obligation Term Bonds. During fiscal year 2011, the full amount of refunded bonds were called and fully repaid. Therefore, at June 30, 2011, there was no balance remaining in the escrow trust account.

**NOTE 17 – INTERNAL BALANCES**

Interfund balances at June 30, 2011 consist of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>
	General
	Fund
<u>Interfund Payable</u>	
Other Governmental Funds	<u>\$112,568</u>

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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The loan made to the Other Governmental Funds was used to cover actual cash deficits. The cash deficits were covered by cash and cash equivalents from the General Fund.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

*Belmont-Harrison Vocational School District* – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2011, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting authority. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2011, the total amount paid to OME-RESA from the School District was \$53,700 for cooperative gas purchasing services, \$39,847 for technology services and \$26,762 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Educational Regional Service System Region 12 (ERSS)* – The School District participates in the Educational Regional Service System Region 12, a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council.

*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2011.

**NOTE 19 – RISK SHARING, CLAIMS SERVICING, AND INSURANCE PURCHASING POOL**

**A. Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, 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.

**B. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool**

*The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoint a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Sun Life.



**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 20 – 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 Local 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 purchase are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Bellaire Public Library, Clerk/Treasurer's Office, at 32<sup>nd</sup> and Guernsey Street, Bellaire, Ohio 43906.

**NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS**

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.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's General Fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve.

Pursuant to State statute, the Board of Education expended all of the amounts previously set-aside for the budget stabilization.

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District's that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the textbooks and capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirements or the elimination of funding of the set-aside altogether. The Bellaire Local School District has been declared in fiscal emergency and has elected not to fund the set-aside requirement for either the textbook or capital improvement set-aside for fiscal year 2011.

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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2010	\$0	\$0
Current Year Set-aside Requirement	182,475	182,475
Legislative Reduction	(182,475)	(182,475)
Excess Qualified Expenditures from Prior Years	(29,759)	0
Current Year Offsets	N/A	N/A
Qualifying Disbursements	N/A	N/A
Totals	<u>(\$29,759)</u>	<u>\$0</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$0</u>	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>

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.

The School District had prior year capital expenditures from bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

**NOTE 22 – 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 are 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, 2011.

**B. Litigation**

The School District is not party to any pending litigation.

**NOTE 23 – GOING CONCERN**

The School District was placed in Fiscal Caution on April 24, 2009 by the Ohio Department of Education. The School District did not submit a proposal to the Ohio Department of Education and with the concurrence of the Auditor of State, was declared in fiscal watch on September 10, 2009. On December 31, 2009, the School District was placed in Fiscal Emergency due to the failure to submit an acceptable financial recovery plan. The School District and Commission subsequently authorized a revised financial recovery plan on September 29, 2010.

Based on the most recent Commission-adopted five year forecast, the District is projecting a deficit cash balance in fiscal years 2012 and 2013, and deficit unreserved fund balance in fiscal years 2012 and 2013.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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The School District is in the process of revising the forecast based on revised Average Daily Membership numbers that were submitted in October, 2011. See Subsequent Event Note 24 for further details.

**NOTE 24 – SUBSEQUENT EVENTS NOTE**

**A. Tax Levies**

The Board of Education adopted a resolution on July 11, 2011 to place the renewal of the 3 Mill Permanent Improvement Levy on the November 8, 2011 ballot. Also on July 11, the Board of Education adopted a resolution to place a 1 percent income tax for a period of five years on the November 8, 2011 ballot. The renewal of the 3 Mill Permanent Improvement Levy passed whereas the 1 percent income tax failed.

**B. Average Daily Membership**

The October 2011 Average Daily Membership count has been finalized, and reflects a loss of 105 students. This loss will have a significant impact on the state funding received by the School District. The School District is currently in the process of evaluating the funding loss and will revise the five-year forecast accordingly.

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**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$4,000	\$4,000
Cash Assistance:				
School Breakfast Program	043570-05PU-11	10.553	138,770	138,770
National School Lunch Program	043570-LLP4-11	10.555	323,874	323,874
Cash Assistance SubTotal			<u>462,644</u>	<u>462,644</u>
Total Child Nutrition Cluster			<u>466,644</u>	<u>466,644</u>
Child Nutrition Discretionary Grants				
School Lunch Equipment	043570	10.579	<u>15,958</u>	<u>15,958</u>
Total U.S. Department of Agriculture			482,602	482,602
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	043570-C1S1-10	84.010	92,930	77,378
	043570-C1S1-11		<u>571,524</u>	<u>544,403</u>
Title I Grants to Local Educational Agencies Subtotal			664,454	621,781
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	043570-10	84.389	57,468	38,234
	043570-11		<u>208,115</u>	<u>216,905</u>
ARRA - Title I Grants to Local Educational Agencies Subtotal			265,583	255,139
Total Title I, Part A Cluster			<u>930,037</u>	<u>876,920</u>
Special Education, Cluster (IDEA):				
Special Education, Grants to States (IDEA, Part B)	043570-6BSF-10	84.027	54,760	53,248
	043570-6BSF-11		<u>311,213</u>	<u>306,497</u>
Special Education, Grants to States (IDEA, Part B) Subtotal			365,973	359,745
ARRA - Special Education, Grants to States (IDEA, Part B), Recovery Act	043570-10	84.391	41,278	33,619
	043570-11		<u>237,796</u>	<u>229,571</u>
ARRA - Special Education, Grants to States (IDEA, Part B) Subtotal			279,074	263,190
Total Special Education Cluster (IDEA)			<u>645,047</u>	<u>622,935</u>
Safe and Drug-Free Schools and Communities, State Grants				
	043570-DRS1-10	84.186	(757)	(90)
	043570-DRS1-11		<u>757</u>	<u>873</u>
Total Safe and Drug-Free Schools and Communities, State Grants			0	783
Education Technology State Grants				
	043570-TJS1-10	84.318	(547)	
	043570-TJS1-11		<u>4,376</u>	<u>3,466</u>
Total Education Technology State Grants			3,829	3,466
Improving Teacher Quality State Grants				
	043570-TRS1-10	84.367	22,387	21,304
	043570-TRS1-11		<u>146,851</u>	<u>143,657</u>
Total Improving Teacher Quality State Grants			169,238	164,961
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	043570-10	84.394	756,004	694,883
Safe and Drug-Free Schools and Communities, National Program - Direct Program				
Safe Schools-Healthy Students Initiative Discretionary Grant - River School Initiative	Q184L080060-09	84.184L	83,083	16,224
	Q184L080060-10		<u>695,847</u>	<u>650,879</u>
Total Safe and Drug-Free Schools and Communities, National Program			<u>778,930</u>	<u>667,103</u>
Education Jobs Fund	043570-11	84.410	<u>254,893</u>	<u>367,049</u>
Total U.S. Department of Education			<u>3,537,978</u>	<u>3,398,100</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed-Through Belmont County Mental Health and Recovery Board:</i>				
Safe and Drug-Free Schools and Communities, State Grants				
	2010	84.186		238
Community-Based Child Abuse Prevention Grants				
	2010	93.590	1,031	3,868
	2011		<u>33,013</u>	<u>33,013</u>
Total Community-Based Child Abuse Prevention Grant			34,044	36,881
Block Grants for Prevention and Treatment of Substance Abuse	2011	93.959	<u>5,244</u>	<u>5,244</u>
Total U.S. Department of Health and Human Services			<u>39,288</u>	<u>42,363</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<u><b>\$4,059,868</b></u>	<u><b>\$3,923,065</b></u>

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

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
Safe and Drug-Free Schools and Communities, State Grants	84.186	\$ 757
Education Technology State Grants	84.318	547



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Bellaire Local School District  
Belmont County  
340 34<sup>th</sup> Street  
Bellaire, Ohio 43906

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 31, 2012, wherein we noted the School District has been declared to be in fiscal emergency, as defined by the Ohio Revised Code and has suffered recurring losses from operations and has a net asset deficiency. We also noted the School District adopted Governmental Accounting Standards Board Statement No. 54. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 31, 2012.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 31, 2012





# Dave Yost • Auditor of State

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

Bellaire Local School District  
Belmont County  
340 34<sup>th</sup> Street  
Bellaire, Ohio 43906

To the Board of Education:

### Compliance

We have audited the compliance of Bellaire Local 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 31, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 31, 2012

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, Part A Cluster – CFDA #84.010 and #84.389  Special Education Cluster (IDEA) – CFDA #84.027 and #84.391  State Fiscal Stabilization Fund – Education State Grants, Recovery Act - CFDA #84.394  Education Jobs Fund – CFDA #84.410
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**FINDING NUMBER 2011-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from making an expenditure unless it has been properly appropriated.

As of June 30, 2011, the following funds reflected expenditures which exceeded appropriations:

Fund	Appropriations	Expenditures	Variance
General	\$13,347,520	\$14,003,556	(\$656,036)
Food Service	650,000	663,010	(13,010)
Self-Insurance	2,442,135	2,940,774	(498,639)
Title VI-B	636,890	672,264	(35,374)
State Fiscal Stabilization (SFSF)	670,523	694,883	(24,360)
Title I	902,325	929,028	(26,703)
Improving Teacher Quality	165,754	176,099	(10,345)

We recommend the School District Board and Treasurer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations.

**Officials' Response:** The Treasurer will compare the expenditures to the appropriations on a weekly basis. For grant funds, the Treasurer will begin a weekly meeting with the Special Education Coordinator to monitor expenditures vs appropriations.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Bellaire Local School District  
Belmont County  
340 34<sup>th</sup> Street  
Bellaire, Ohio 43906

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

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

**Dave Yost**  
Auditor of State

January 31, 2012

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# 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  
FEBRUARY 14, 2012**