



Dave Yost • Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Bellaire Local School District
Belmont County
340 34th 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, 2012, 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, 2012, 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 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, 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

February 8, 2013

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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, 2012. 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 2012 are as follows:

- Net assets increased \$1,797,958.
- General revenues accounted for \$11,900,517 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$3,949,860 or 25 percent of total revenues of \$15,850,377.
- Total assets of governmental activities decreased by \$247,421 primarily due to annual depreciation on capital assets, and decreases in intergovernmental receivables, which were offset by increases in property taxes receivable, and cash and cash equivalents with fiscal agents. The School District's total liabilities decreased \$2,045,379 due primarily to decreases in accrued wages and benefits, compensated absences, as well as the repayment of a portion of the Solvency Assistance Advance, and scheduled repayments of long-term debt.
- The School District had \$14,052,419 in expenses related to governmental activities; only \$3,949,860 of these expenses were offset by program specific charges for services, grants or contributions.
- Total Governmental Funds had \$15,847,866 in revenues and \$14,502,158 in expenditures. The balance, including other financing sources, of Total Governmental Funds increased by \$1,348,208.

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 Bellaire Local 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 Bellaire Local School District, the General Fund, the Debt Service Fund, and the Classroom Facilities Maintenance Special Revenue Fund are the only major or significant funds.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 question, "How did we do financially during 2012?" 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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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.

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 2012 compared to 2011.

Table 1
Net Assets

| | Government Activities | | Change |
|----------------------------------------|-----------------------|---------------------|--------------------|
| | 2012 | 2011 | |
| Assets | | | |
| Current and Other Assets | \$7,681,648 | \$7,160,642 | \$521,006 |
| Capital Assets | 19,181,875 | 19,950,302 | (768,427) |
| Total Assets | 26,863,523 | 27,110,944 | (247,421) |
| Liabilities | | | |
| Long-Term Liabilities | 3,713,482 | 4,275,919 | (562,437) |
| Other Liabilities | 6,326,183 | 7,809,125 | (1,482,942) |
| Total Liabilities | 10,039,665 | 12,085,044 | (2,045,379) |
| Net Assets | | | |
| Invested in Capital Assets Net of Debt | 16,727,413 | 17,244,772 | (517,359) |
| Restricted | 3,074,271 | 2,925,317 | 148,954 |
| Unrestricted (Deficit) | (2,977,826) | (5,144,189) | 2,166,363 |
| Total Net Assets | \$16,823,858 | \$15,025,900 | \$1,797,958 |

Total assets of governmental activities decreased \$247,421 primarily due to annual depreciation on capital assets, and decreases in intergovernmental receivables, which were offset by increases in property taxes receivable and cash and cash equivalents with fiscal agents. The increase in property taxes receivable is due to a slight increase in assessed valuation from the prior year.

The School District's total liabilities decreased \$2,045,379 due primarily to decreases in accrued wages and benefits, compensated absences, as well as the repayment of a portion of the Solvency Assistance Advance, and scheduled repayments of long-term debt. The decrease in accrued wages is due to the School District accruing one less payroll from the prior year due to the correlation between the pay dates and the fiscal year-end, as well as the overall decrease in contracted salary obligations. The decrease in compensated absences is due to the retirement of a large number of senior staff in recent years, and the retained positions being filled with younger staff, with less accrued leave balances.

Total net assets of the School District's governmental activities increased \$1,797,958. Unrestricted (deficit) net assets increased by \$2,166,363. Invested in capital assets, net of debt decreased \$517,359 due primarily to annual depreciation expense.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

Table 2
Changes in Net Assets

| | Government Activities | | Change |
|-----------------------------------------|-----------------------|-------------------|--------------------|
| | 2012 | 2011 | |
| Revenues | | | |
| <i>Program Revenue</i> | | | |
| Charges for Services | \$1,307,837 | \$1,267,913 | \$39,924 |
| Operating Grants | 2,642,023 | 4,919,997 | (2,277,974) |
| Total Program Revenue | 3,949,860 | 6,187,910 | (2,238,050) |
| <i>General Revenue</i> | | | |
| Property Taxes | 2,506,403 | 2,544,964 | (38,561) |
| Grants and Entitlements | 9,279,118 | 9,385,512 | (106,394) |
| Gifts and Donations | 2,120 | 6,425 | (4,305) |
| Investments | 22,822 | 28,936 | (6,114) |
| Gain on the Sale of Capital Assets | 1,958 | 0 | 1,958 |
| Miscellaneous | 88,096 | 33,729 | 54,367 |
| Total General Revenue | 11,900,517 | 11,999,566 | (99,049) |
| Total Revenues | 15,850,377 | 18,187,476 | (2,337,099) |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | 5,720,026 | 8,220,689 | (2,500,663) |
| Special | 1,609,739 | 2,003,770 | (394,031) |
| Vocational | 24,063 | 2,009 | 22,054 |
| Student Intervention Services | 171,463 | 0 | 171,463 |
| Support Services: | | | |
| Pupil | 1,161,824 | 1,364,019 | (202,195) |
| Instructional Staff | 440,140 | 204,039 | 236,101 |
| Board of Education | 22,566 | 28,089 | (5,523) |
| Administration | 962,991 | 1,190,331 | (227,340) |
| Fiscal | 517,307 | 412,770 | 104,537 |
| Operation and Maintenance of Plant | 1,421,561 | 1,412,973 | 8,588 |
| Pupil Transportation | 907,668 | 1,205,205 | (297,537) |
| Central | 5,061 | 889 | 4,172 |
| Operation of Non-Instructional Services | 120,070 | 146,181 | (26,111) |
| Food Service Operations | 585,643 | 662,176 | (76,533) |
| Extracurricular Activities | 257,597 | 294,985 | (37,388) |
| Interest and Fiscal Charges | 124,700 | 136,049 | (11,349) |
| Total Expenses | 14,052,419 | 17,284,174 | (3,231,755) |
| Change in Net Assets | 1,797,958 | 903,302 | 894,656 |
| Net Assets Beginning of Year | 15,025,900 | 14,122,598 | 903,302 |
| Net Assets End of Year | \$16,823,858 | \$15,025,900 | \$1,797,958 |

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Governmental Activities

Property taxes made up approximately 16 percent of revenues for Bellaire Local School District in fiscal year 2012. This revenue source decreased slightly from fiscal year 2011 primarily due to a slight growth in tax valuations, compounded with the loss of personal property tax revenue. Charges for Services revenue increased slightly from fiscal year 2011 primarily due to an increase in tuition and fees related to excess cost reimbursements. Operating grants and contributions decreased \$2,277,974 from fiscal year 2011 due to the conclusion of the American Recovery and Reinvestment Act, and Education Jobs federal grant monies, as well as an overall decrease in federal funding.

Instruction comprises approximately 54 percent of governmental program expenses and decreased \$2,701,177 from fiscal year 2011. 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 \$3,231,755, as a result of the reductions of classified staff, certified staff, and reductions in all other expenses.

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 2012 compared to fiscal year 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|-----------------------------------------|------------------------|---------------------|----------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Instruction: | | | | |
| Regular | \$5,720,026 | \$8,220,689 | \$4,664,839 | \$6,042,551 |
| Special | 1,609,739 | 2,003,770 | 801,318 | 543,049 |
| Vocational | 24,063 | 2,009 | (1,490) | (23,544) |
| Student Intervention Service | 171,463 | 0 | 171,463 | 0 |
| Support Services | | | | |
| Pupils | 1,161,824 | 1,364,019 | 493,104 | 298,777 |
| Instructional Staff | 440,140 | 204,039 | 234,235 | 40,200 |
| Board of Education | 22,566 | 28,089 | 22,566 | 28,089 |
| Administration | 962,991 | 1,190,331 | 909,047 | 1,108,908 |
| Fiscal | 517,307 | 412,770 | 457,650 | 351,430 |
| Operation and Maintenance of Plant | 1,421,561 | 1,412,973 | 1,313,433 | 1,308,434 |
| Pupil Transportation | 907,668 | 1,205,205 | 907,240 | 1,123,325 |
| Central | 5,061 | 889 | 5,061 | 889 |
| Operation of Non-Instructional Services | 120,070 | 146,181 | 10,474 | 19,315 |
| Food Service Operations | 585,643 | 662,176 | (103,077) | (2,053) |
| Extracurricular Activities | 257,597 | 294,985 | 91,996 | 120,845 |
| Interest and Fiscal Charges | 124,700 | 136,049 | 124,700 | 136,049 |
| Total Expenses | <u>\$14,052,419</u> | <u>\$17,284,174</u> | <u>\$10,102,559</u> | <u>\$11,096,264</u> |

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 72 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, 2012
Unaudited

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 \$12,121,831 in revenues and \$11,157,966 in expenditures. The General Fund's balance increased \$963,865. The Debt Service Fund had revenues in the amount of \$377,047 and total expenditures in the amount of \$312,681 that resulted in a fund balance increase in the amount of \$64,366. The Classroom Facilities Maintenance Special Revenue Fund had revenue in the amount of \$102,352 and total expenditures in the amount of \$52,748 that resulted in a fund balance increase in the amount of \$49,604.

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 year 2012, the School District amended its General Fund estimated resources, and the budgetary statements reflect both the original and final amounts. The Classroom Facilities Maintenance Special Revenue Fund estimated resources were not amended during the fiscal year. The School District amended its original appropriations during the fiscal year for the General Fund, and the budgetary statements reflect both the original and final amounts. The Classroom Facilities Maintenance Special Revenue Fund appropriations were not amended during the fiscal year. For the General Fund, estimated revenues varied as final budgeted intergovernmental revenues were greater than original estimates. For the General Fund, actual revenues varied from final estimates as actual property taxes were less than estimates, while increased intergovernmental estimated and actual revenues offset the difference. Actual expenditures exceeded final appropriations in the General Fund for several expenditure functions even though the School District amended appropriations during the fiscal year. For the Classroom Facilities Maintenance Special Revenue Fund, there were no significant variances from original budget to final budget, and the variance between the final appropriations and actual expenditures is a result of spending being less than budgeted in all categories.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012 the School District had \$19,181,875 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal 2012 balances compared to 2011:

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 4
 Capital Assets Net of Depreciation

| | Government Activities | |
|----------------------------|-----------------------|---------------------|
| | 2012 | 2011 |
| Land | \$718,812 | \$718,812 |
| Land Improvements | 755,437 | 743,001 |
| Buildings and Improvements | 16,954,694 | 17,810,553 |
| Furniture and Equipment | 576,556 | 578,186 |
| Vehicles | 176,376 | 99,750 |
| Totals | \$19,181,875 | \$19,950,302 |

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

Debt

At June 30, 2012 the School District had \$2,559,387 in general obligation bonds and \$19,403 in capital leases outstanding.

Table 5 summarizes debt outstanding:

Table 5
 Outstanding Debt at Year End

| | Governmental Activities | |
|-----------------------------------------|-------------------------|------------------|
| | 2012 | 2011 |
| 2000 School Facilities Bonds | | |
| Serial Bonds | \$590,000 | \$765,000 |
| 2009 School Improvement Refunding Bonds | | |
| Serial Bonds | 1,395,000 | 1,395,000 |
| Term Bonds | 105,000 | 135,000 |
| Capital Appreciation Bonds | 249,996 | 249,996 |
| CAB Accretion | 89,336 | 58,620 |
| Premium | 130,055 | 143,061 |
| Total General Obligation Bonds | 2,559,387 | 2,746,677 |
| Capital Leases | 19,403 | 55,964 |
| Total | 2,578,790 | 2,802,641 |

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

Economic Factors

The Bellaire Local 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. As the preceding information indicates, 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 Advances in fiscal years 2010, 2011, and 2012 in the amounts of \$3,667,000, \$1,273,000, and \$1,775,000 respectively. These are zero interest advances of State Foundation funding that will be repaid through reductions of

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

State Foundation revenue, each over a two year period. The School District has implemented a spending reduction plan as part of the requirements under the fiscal emergency legislation, which was amended to include an additional \$900,000 in reductions beginning in fiscal year 2013. As part of the plan to address the current financial situation, the School District placed a five-year, 8.72 Mill Emergency Tax Levy on the November 6, 2012 ballot, which was defeated by the voters of the Bellaire Local School District. The School District is currently implementing the revised 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 34th Street, Bellaire, Ohio 43906.

Bellaire Local School District
Statement of Net Assets
June 30, 2012

| | Governmental Activities |
|-------------------------------------------------|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$2,389,372 |
| Intergovernmental Receivable | 484,612 |
| Investments | 336,073 |
| Prepaid Items | 2,681 |
| Materials and Supplies Inventory | 74,504 |
| Property Taxes Receivable | 3,222,791 |
| Cash and Cash Equivalents with Fiscal Agents | 1,136,623 |
| Deferred Charges | 34,992 |
| Non-Depreciable Capital Assets | 718,812 |
| Depreciable Capital Assets, Net | 18,463,063 |
| Total Assets | 26,863,523 |
| Liabilities | |
| Accounts Payable | 56,902 |
| Accrued Wages and Benefits Payable | 857,580 |
| Intergovernmental Payable | 325,502 |
| Matured Severance Payable | 3,990 |
| Vacation Benefits Payable | 67,105 |
| Accrued Interest Payable | 7,502 |
| Claims Payable | 201,066 |
| Deferred Revenue | 2,395,036 |
| State Operating Loan Payable | 2,411,500 |
| Long-Term Liabilities: | |
| Due Within One Year | 414,337 |
| Due In More Than One Year | 3,299,145 |
| Total Liabilities | 10,039,665 |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 16,727,413 |
| Restricted for: | |
| Capital Projects | 397,949 |
| Debt Service | 770,272 |
| Classroom Facilities Maintenance | 1,191,030 |
| State Programs | 443,566 |
| Federal Programs | 155,798 |
| Food Service | 25,723 |
| Bus Purchase | 5,562 |
| Other Purposes | 84,371 |
| Unrestricted (Deficit) | (2,977,826) |
| Total Net Assets | \$16,823,858 |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|-------------------------------------------------------------|---------------------|-----------------------------------|---------------------------------------|----------------------------------------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$5,720,026 | \$876,267 | \$178,920 | (\$4,664,839) |
| Special | 1,609,739 | 0 | 808,421 | (801,318) |
| Vocational | 24,063 | 0 | 25,553 | 1,490 |
| Student Intervention Services | 171,463 | 0 | 0 | (171,463) |
| Support Services: | | | | |
| Pupil | 1,161,824 | 0 | 668,720 | (493,104) |
| Instructional Staff | 440,140 | 0 | 205,905 | (234,235) |
| Board of Education | 22,566 | 0 | 0 | (22,566) |
| Administration | 962,991 | 0 | 53,944 | (909,047) |
| Fiscal | 517,307 | 0 | 59,657 | (457,650) |
| Operation and Maintenance of Plant | 1,421,561 | 6,000 | 102,128 | (1,313,433) |
| Pupil Transportation | 907,668 | 0 | 428 | (907,240) |
| Central | 5,061 | 0 | 0 | (5,061) |
| Operation of Non-Instructional Services | 120,070 | 88,479 | 21,117 | (10,474) |
| Food Service Operations | 585,643 | 171,490 | 517,230 | 103,077 |
| Extracurricular Activities | 257,597 | 165,601 | 0 | (91,996) |
| Interest and Fiscal Charges | 124,700 | 0 | 0 | (124,700) |
| <i>Total Governmental Activities</i> | <u>\$14,052,419</u> | <u>\$1,307,837</u> | <u>\$2,642,023</u> | <u>(10,102,559)</u> |
| General Revenues | | | | |
| Property Taxes Levied for General Purposes | | | | 1,953,422 |
| Property Taxes Levied for Capital Outlay | | | | 188,143 |
| Property Taxes Levied for Debt Service | | | | 325,025 |
| Property Taxes Levied for Classroom Facilities Maintenance | | | | 39,813 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 9,279,118 |
| Gifts and Donations | | | | 2,120 |
| Investment Earnings | | | | 22,822 |
| Gain on Sale of Capital Assets | | | | 1,958 |
| Miscellaneous | | | | 88,096 |
| <i>Total General Revenues</i> | | | | <u>11,900,517</u> |
| Change in Net Assets | | | | 1,797,958 |
| <i>Net Assets Beginning of Year</i> | | | | <u>15,025,900</u> |
| <i>Net Assets End of Year</i> | | | | <u>\$16,823,858</u> |

See accompanying notes to the basic financial statements

Bellaire Local School District
Balance Sheet
Governmental Funds
June 30, 2012

| | General | Debt Service | Classroom Facilities Maintenance | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------|--------------------|--------------------|----------------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$0 | \$666,459 | \$938,795 | \$673,778 | \$2,279,032 |
| Investments | 0 | 0 | 0 | 336,073 | 336,073 |
| Receivables: | | | | | |
| Property Taxes | 2,514,243 | 419,578 | 51,453 | 237,517 | 3,222,791 |
| Intergovernmental | 121,741 | 0 | 0 | 362,871 | 484,612 |
| Interfund | 82,851 | 0 | 239,739 | 0 | 322,590 |
| Prepaid Items | 2,681 | 0 | 0 | 0 | 2,681 |
| Materials and Supplies Inventory | 61,230 | 0 | 0 | 13,274 | 74,504 |
| <i>Total Assets</i> | <u>\$2,782,746</u> | <u>\$1,086,037</u> | <u>\$1,229,987</u> | <u>\$1,623,513</u> | <u>\$6,722,283</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$13,774 | \$0 | \$816 | \$42,312 | \$56,902 |
| Accrued Wages and Benefits | 693,949 | 0 | 0 | 163,631 | 857,580 |
| Matured Severance Payable | 3,990 | 0 | 0 | 0 | 3,990 |
| Interfund Payable | 239,739 | 0 | 0 | 82,851 | 322,590 |
| Intergovernmental Payable | 275,635 | 0 | 0 | 49,867 | 325,502 |
| Deferred Revenue | 2,510,374 | 399,477 | 49,004 | 367,534 | 3,326,389 |
| State Operating Loan Payable | 2,411,500 | 0 | 0 | 0 | 2,411,500 |
| <i>Total Liabilities</i> | <u>6,148,961</u> | <u>399,477</u> | <u>49,820</u> | <u>706,195</u> | <u>7,304,453</u> |
| Fund Balances (Deficit) | | | | | |
| Nonspendable | | | | | |
| Inventories | 61,230 | 0 | 0 | 13,274 | 74,504 |
| Prepays | 2,681 | 0 | 0 | 0 | 2,681 |
| Restricted for: | | | | | |
| Capital Projects | 0 | 0 | 0 | 349,140 | 349,140 |
| Debt Service | 0 | 686,560 | 0 | 0 | 686,560 |
| Classroom Facilities Maintenance | 0 | 0 | 1,180,167 | 0 | 1,180,167 |
| State Programs | 0 | 0 | 0 | 443,566 | 443,566 |
| Federal Programs | 0 | 0 | 0 | 48,451 | 48,451 |
| Food Service | 0 | 0 | 0 | 12,449 | 12,449 |
| Bus Purchase | 5,562 | 0 | 0 | 0 | 5,562 |
| Other Purposes | 0 | 0 | 0 | 84,371 | 84,371 |
| Unassigned | (3,435,688) | 0 | 0 | (33,933) | (3,469,621) |
| <i>Total Fund Balances (Deficit)</i> | <u>(3,366,215)</u> | <u>686,560</u> | <u>1,180,167</u> | <u>917,318</u> | <u>(582,170)</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$2,782,746</u> | <u>\$1,086,037</u> | <u>\$1,229,987</u> | <u>\$1,623,513</u> | <u>\$6,722,283</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, 2012*

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Total Governmental Fund Balances | (\$582,170) |
| <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. | 19,181,875 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | |
| Intergovernmental | 141,280 |
| Property Taxes | 677,211 |
| Tuition and Fees | <u>112,862</u> |
| Total | 931,353 |
| 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. | 1,045,897 |
| Unamortized issuance cost represents deferred charges which do not provided current financial resources and, therefore, are not reported in the funds. | 34,992 |
| 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. | (67,105) |
| In the statement activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. | (7,502) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | |
| General Obligation Bonds - Serial | 1,985,000 |
| General Obligation Bonds - Term | 105,000 |
| General Obligation Bonds - Capital Appreciation | 249,996 |
| Accretion of Capital Appreciation Bonds Interest | 89,336 |
| Premium | 130,055 |
| Capital Leases | 19,403 |
| Compensated Absences | <u>1,134,692</u> |
| Total | <u>(3,713,482)</u> |
| <i>Net Assets of Governmental Activities</i> | <u><u>\$16,823,858</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, 2012

| | General | Debt Service | Classroom Facilities Maintenance | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------------|-----------------------------|-------------------------|----------------------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Property Taxes | \$1,917,493 | \$318,718 | \$39,113 | \$185,273 | \$2,460,597 |
| Intergovernmental | 9,304,671 | 58,329 | 61,127 | 2,625,255 | 12,049,382 |
| Interest | 6,485 | 0 | 2,112 | 1,774 | 10,371 |
| Tuition and Fees | 791,982 | 0 | 0 | 29,538 | 821,520 |
| Extracurricular Activities | 47,130 | 0 | 0 | 118,471 | 165,601 |
| Rent | 6,000 | 0 | 0 | 0 | 6,000 |
| Contributions and Donations | 0 | 0 | 0 | 2,120 | 2,120 |
| Charges for Services | 13,748 | 0 | 0 | 230,431 | 244,179 |
| Miscellaneous | 34,322 | 0 | 0 | 53,774 | 88,096 |
| <i>Total Revenues</i> | <u>12,121,831</u> | <u>377,047</u> | <u>102,352</u> | <u>3,246,636</u> | <u>15,847,866</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 5,259,793 | 0 | 0 | 207,487 | 5,467,280 |
| Special | 993,292 | 0 | 0 | 860,146 | 1,853,438 |
| Vocational | 24,063 | 0 | 0 | 0 | 24,063 |
| Student Intervention Services | 171,463 | 0 | 0 | 0 | 171,463 |
| Support Services: | | | | | |
| Pupil | 462,489 | 0 | 0 | 741,212 | 1,203,701 |
| Instructional Staff | 241,133 | 0 | 0 | 220,816 | 461,949 |
| Board of Education | 17,414 | 0 | 0 | 0 | 17,414 |
| Administration | 1,018,253 | 0 | 0 | 62,363 | 1,080,616 |
| Fiscal | 483,897 | 6,580 | 1,050 | 6,974 | 498,501 |
| Operation and Maintenance of Plant | 1,303,922 | 0 | 47,285 | 16,228 | 1,367,435 |
| Pupil Transportation | 1,025,298 | 0 | 0 | 454 | 1,025,752 |
| Central | 3,990 | 0 | 0 | 0 | 3,990 |
| Operation of Non-Instructional Services | 0 | 0 | 0 | 125,077 | 125,077 |
| Food Service Operations | 0 | 0 | 0 | 590,480 | 590,480 |
| Extracurricular Activities | 152,959 | 0 | 0 | 92,502 | 245,461 |
| Capital Outlay | 0 | 0 | 4,413 | 15,307 | 19,720 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 205,000 | 0 | 36,561 | 241,561 |
| Interest and Fiscal Charges | 0 | 101,101 | 0 | 3,156 | 104,257 |
| <i>Total Expenditures</i> | <u>11,157,966</u> | <u>312,681</u> | <u>52,748</u> | <u>2,978,763</u> | <u>14,502,158</u> |
| <i>Excess of Revenues Over Expenditures</i> | 963,865 | 64,366 | 49,604 | 267,873 | 1,345,708 |
| Other Financing Sources | | | | | |
| Sale of Capital Assets | 0 | 0 | 0 | 2,500 | 2,500 |
| <i>Net Change in Fund Balances</i> | 963,865 | 64,366 | 49,604 | 270,373 | 1,348,208 |
| <i>Fund Balances (Deficit) Beginning 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> |
| <i>Fund Balances (Deficit) End of Year</i> | <u><u>(\$3,366,215)</u></u> | <u><u>\$686,560</u></u> | <u><u>\$1,180,167</u></u> | <u><u>\$917,318</u></u> | <u><u>(\$582,170)</u></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, 2012*

Net Change in Fund Balances - Total Governmental Funds \$1,348,208

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.

| | | |
|---------------------------|--------------------|-----------|
| Capital Outlay | 323,665 | |
| Current Year Depreciation | <u>(1,091,550)</u> | (767,885) |

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|
| Capital Assets removed from the capital asset account on the statement of net assets results in a gain on sale of capital assets on the statement of activities. | | (542) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|

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

| | | |
|-------------------|---------------|----------|
| Intergovernmental | (128,241) | |
| Tuition and Fees | 70,537 | |
| Interest | (177) | |
| Property Taxes | <u>45,806</u> | |
| Total | | (12,075) |

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 | 175,000 | |
| General Obligation Bonds - Term | 30,000 | |
| Capital Leases | <u>36,561</u> | |
| Total | | 241,561 |

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 activities.

| | | |
|-----------------------------------------|-----------------|----------|
| Accrued Interest | 766 | |
| Accretion on Capital Appreciation Bonds | <u>(30,716)</u> | |
| Total | | (29,950) |

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 | 19,602 | |
| Compensated Absences | <u>338,586</u> | |
| Total | | 367,695 |

The internal service fund used by management to charge the costs of insurance to individual funds 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 revenue (expense) of the internal service fund is allocated among governmental activities.

650,946

Change in Net Assets of Governmental Activities \$1,797,958

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, 2012

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|-------------------------------------------------|-----------------------------|-----------------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Property Taxes | \$2,205,000 | \$2,205,000 | \$1,963,046 | (\$241,954) |
| Intergovernmental | 8,699,321 | 8,976,845 | 9,295,792 | 318,947 |
| Interest | 18,535 | 19,083 | 6,485 | (12,598) |
| Tuition and Fees | 707,716 | 774,615 | 791,982 | 17,367 |
| Extracurricular Activities | 50,116 | 45,192 | 47,130 | 1,938 |
| Rent | 0 | 0 | 6,000 | 6,000 |
| Charges for Services | 12,434 | 13,597 | 13,748 | 151 |
| Miscellaneous | 20,878 | 23,781 | 34,322 | 10,541 |
| <i>Total Revenues</i> | <u>11,714,000</u> | <u>12,058,113</u> | <u>12,158,505</u> | <u>100,392</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,102,633 | 6,252,745 | 5,718,360 | 534,385 |
| Special | 940,531 | 963,666 | 1,036,752 | (73,086) |
| Vocational | 39,292 | 40,258 | 25,625 | 14,633 |
| Student Intervention Services | 171,463 | 175,681 | 171,463 | 4,218 |
| Support Services: | | | | |
| Pupil | 468,102 | 479,616 | 465,116 | 14,500 |
| Instructional Staff | 1,906 | 1,953 | 201,216 | (199,263) |
| Board of Education | 23,658 | 24,240 | 17,608 | 6,632 |
| Administration | 1,162,629 | 1,191,459 | 1,087,161 | 104,298 |
| Fiscal | 394,930 | 404,644 | 488,675 | (84,031) |
| Operation and Maintenance of Plant | 1,557,604 | 1,595,918 | 1,356,702 | 239,216 |
| Pupil Transportation | 1,079,722 | 1,106,281 | 1,056,488 | 49,793 |
| Extracurricular Activities | 174,517 | 178,810 | 150,640 | 28,170 |
| Debt Service: | | | | |
| Principal Retirement | 1,863,200 | 1,909,031 | 2,470,000 | (560,969) |
| <i>Total Expenditures</i> | <u>13,980,187</u> | <u>14,324,302</u> | <u>14,245,806</u> | <u>78,496</u> |
| Excess of Revenues Under Expenditures | (2,266,187) | (2,266,189) | (2,087,301) | 178,888 |
| Other Financing Sources (Uses) | | | | |
| Advances Out | 0 | 0 | (82,851) | (82,851) |
| Solvency Assistance Advance Issued | 0 | 0 | 1,775,000 | 1,775,000 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>1,692,149</u> | <u>1,692,149</u> |
| <i>Net Change in Fund Balance</i> | (2,266,187) | (2,266,189) | (395,152) | 1,871,037 |
| <i>Fund Balance (Deficit) Beginning of Year</i> | (47,886) | (47,886) | (47,886) | 0 |
| Prior Year Encumbrances Appropriated | <u>166,849</u> | <u>166,849</u> | <u>166,849</u> | <u>0</u> |
| <i>Fund Balance (Deficit) End of Year</i> | <u><u>(\$2,147,224)</u></u> | <u><u>(\$2,147,226)</u></u> | <u><u>(\$276,189)</u></u> | <u><u>\$1,871,037</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, 2012

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Property Taxes | \$39,500 | \$39,500 | \$40,028 | \$528 |
| Intergovernmental | 60,000 | 60,000 | 61,127 | 1,127 |
| <i>Total Revenues</i> | <u>99,500</u> | <u>99,500</u> | <u>101,155</u> | <u>1,655</u> |
| Expenditures | | | | |
| Current: | | | | |
| Support Services: | | | | |
| Fiscal | 1,150 | 1,150 | 1,050 | 100 |
| Operation and Maintenance of Plant | 87,647 | 87,647 | 45,191 | 42,456 |
| Capital Outlay | 87,445 | 87,445 | 29,113 | 58,332 |
| <i>Total Expenditures</i> | <u>176,242</u> | <u>176,242</u> | <u>75,354</u> | <u>100,888</u> |
| <i>Net Change in Fund Balance</i> | (76,742) | (76,742) | 25,801 | 102,543 |
| <i>Fund Balance Beginning of Year</i> | 1,119,005 | 1,119,005 | 1,119,005 | 0 |
| Prior Year Encumbrances Appropriated | 6,242 | 6,242 | 6,242 | 0 |
| <i>Fund Balance End of Year</i> | <u><u>\$1,048,505</u></u> | <u><u>\$1,048,505</u></u> | <u><u>\$1,151,048</u></u> | <u><u>\$102,543</u></u> |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2012

| | <u>Governmental</u> <u>Activity</u> <u>Internal Service</u> <u>Fund</u> |
|----------------------------------------------|----------------------------------------------------------------------------------|
| Current Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$110,340 |
| Cash and Cash Equivalents with Fiscal Agents | <u>1,136,623</u> |
| <i>Total Assets</i> | <u>1,246,963</u> |
| Current Liabilities | |
| Claims Payable | <u>201,066</u> |
| Net Assets | |
| Unrestricted | <u>1,045,897</u> |
| <i>Total Net Assets</i> | <u><u>\$1,045,897</u></u> |

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, 2012

| | Governmental Activity |
|-------------------------------------|--------------------------|
| | Internal Service Fund |
| Operating Revenues | |
| Charges for Services | \$3,052,752 |
| Operating Expenses | |
| Purchased Services | 119,401 |
| Claims | 2,295,033 |
| <i>Total Operating Expenses</i> | 2,414,434 |
| <i>Operating Income</i> | 638,318 |
| Non-Operating Revenues | |
| Interest | 12,628 |
| <i>Change in Net Assets</i> | 650,946 |
| <i>Net Assets Beginning of Year</i> | 394,951 |
| <i>Net Assets End of Year</i> | \$1,045,897 |

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, 2012

| | Governmental Activity |
|----------------------------------------------------------------------------------------|--------------------------|
| | Internal Service Fund |
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Interfund Services Provided | \$3,052,752 |
| Cash Payments for Services | (122,406) |
| Cash Payments for Claims | (2,344,726) |
| | 585,620 |
| <i>Net Cash Provided by Operating Activities</i> | <i>585,620</i> |
| Cash Flows from Investing Activities | |
| Interest | 12,628 |
| | 12,628 |
| <i>Net Cash Provided by Investing Activities</i> | <i>12,628</i> |
| <i>Net Increase in Cash and Cash Equivalents</i> | <i>598,248</i> |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <i>648,715</i> |
| <i>Cash and Cash Equivalents End of Year</i> | <i>\$1,246,963</i> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income | \$638,318 |
| Changes in Assets and Liabilities: | |
| Decrease in Accounts Payable | (3,005) |
| Decrease in Claims Payable | (49,693) |
| | 585,620 |
| <i>Net Cash Provided by Operating Activities</i> | <i>\$585,620</i> |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

| | Private Purpose Trust Fund | Agency |
|--------------------------------------------|-------------------------------|----------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$506,495 | \$54,106 |
| Investments | 5,000 | 0 |
| | 511,495 | \$54,106 |
| <i>Total Assets</i> | 511,495 | \$54,106 |
| Liabilities | | |
| Undistributed Monies | 0 | \$6,491 |
| Due to Students | 0 | 47,615 |
| | 0 | \$54,106 |
| <i>Total Liabilities</i> | 0 | \$54,106 |
| Net Assets | | |
| Held in Trust for Scholarships | 511,495 | |
| | 511,495 | |
| <i>Total Net Assets</i> | \$511,495 | |

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, 2012

| | Private Purpose Trust Fund |
|-------------------------------------|-------------------------------|
| Additions | |
| Interest | \$163 |
| Deductions | |
| Scholarships Awarded | 1,000 |
| <i>Change in Net Assets</i> | (837) |
| <i>Net Assets Beginning of Year</i> | 512,332 |
| <i>Net Assets End of Year</i> | \$511,495 |

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, 2012

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 District is staffed by 68 non-certificated employees, 73 full-time teaching personnel and 8 administrative employees who provide services to 1,260 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. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which was approved by the Ohio Department of Education on June 21, 2012.

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, 2012

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 insurance purchasing pool, one risk sharing, claims servicing, and 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 clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 accounts for and reports 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 and transferred according to the general laws of Ohio.

Debt Service Fund - The Debt Service Fund accounts for and reports property tax revenues restricted for the payment of, general 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 operation of the School District's self-insurance program for employee medical, prescription drug and dental claims.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 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.

Bellaire Local School District
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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, 2012, but which were levied to finance fiscal year 2013 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 2012, investments were limited to non-negotiable certificates of deposit and money market mutual funds. Money market mutual funds are reported at current share value. Non-negotiable certificates of deposits are reported at cost.

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 2012 amounted to \$6,485 which was assigned from other School District funds.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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 restrict amounts required to be held for 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, 2012, 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.

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:

| | |
|----------------------------|-------------|
| Land Improvements | 5-50 Years |
| Buildings and Improvements | 20-50 Years |
| Furniture and Equipment | 5-20 Years |
| Vehicles | 5-8 Years |

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 are 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).

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. 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 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.

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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 be made by resolution of the Board of Education. The treasurer is given the authority to further allocate appropriations among objects in other 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 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53". GASB Statement No. 64 was issued to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this statement did not result in any material change to the School District's financial statements.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 2012, the following fund had a deficit fund balance:

| | <u>Deficit Fund Balance</u> |
|--------------|---------------------------------|
| General Fund | \$3,366,215 |

The deficit in the General Fund was created by an actual deficit cash balance, as well as the application of generally accepted accounting principles. The primary cause of the deficit balance is the liability for the solvency assistance advance, an interfund payable to cover the General Fund's deficit cash balance, and other accrued liabilities. The School District is currently in fiscal emergency and is working towards fiscal solvency. See Note 23 for further details.

B. Legal Compliance

Appropriations exceeded estimated resources in the General Fund contrary to Section 5705.39, Revised Code, in the amount of \$2,168,981.

The School District will more closely monitor appropriations compared to estimated resources and file amendments as needed with the County Auditor.

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).
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).

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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| | Net Change in Fund Balance | |
|-----------------------------|----------------------------|-------------------------------------|
| | General | Classroom Facilities Maintenance |
| GAAP Basis | \$963,865 | \$49,604 |
| Revenue Accruals | 36,674 | (3,983) |
| Solvency Assistance Advance | 1,775,000 | 0 |
| Market Value Adjustment | 0 | 2,786 |
| Expenditure Accruals | (581,390) | 2,094 |
| Advances Out | (82,851) | 0 |
| Debt Service - Principal | (2,470,000) | 0 |
| Encumbrances | (36,450) | (24,700) |
| Budget Basis | (\$395,152) | \$25,801 |

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:

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;

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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);
7. The State Treasurer's investment pool (STAR Ohio); 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, 2012, the School District had a cash balance of \$1,136,623 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, the School District's bank balance was \$3,701,403. Of the bank balance, \$255,140 was covered by Federal depository insurance and the remaining balance of \$3,446,263 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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 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, 2012, the School District had the following investment, which is part of the internal investment pool:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| | Fair Value | Maturity | Percent of Total Investments | Rating | Rating Agency |
|--------------|------------------|----------|---------------------------------|--------|------------------|
| Money Market | | | | | |
| Mutual Fund | <u>\$101,793</u> | N/A | <u>100.00%</u> | (1) | (1) |

(1) Not Available to the School District at June 30, 2012

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 mutual fund is exposed to custodial credit risk in that it is 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, are available to finance fiscal year 2012 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 and public utility property taxes which are measurable as of June 30, 2012 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, 2012 was \$116,731 in the General Fund, \$20,101 in the Debt Service Fund, \$11,263 in the Permanent Improvement Capital Projects Fund, and \$2,449 in the Classroom Facilities Maintenance Special Revenue Fund. 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.

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 2012 taxes were collected are:

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|--------------------------------------------|---------------------------------|---------|--------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$98,819,900 | 90.30% | \$99,401,080 | 90.15% |
| Public Utility Personal | 10,611,840 | 9.70% | 10,855,940 | 9.85% |
| | \$109,431,740 | 100.00% | \$110,257,020 | 100.00% |
| Tax Rate per \$1,000 of assessed valuation | | \$34.50 | | \$34.50 |

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, 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 \$677,211 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:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| | Amounts |
|--------------------------------------------|----------------|
| Governmental Activities | |
| Excess Costs from Other Districts | \$112,862 |
| Medicaid Reimbursement | 8,879 |
| Early Childhood Education Grant | 3,952 |
| Education Jobs Grant | 16,394 |
| Title I Grant | 258,146 |
| IDEA Part B Grant | 36,922 |
| Title II-D Technology Grant | 9,015 |
| Title II-A Improving Teacher Quality Grant | 38,442 |
| Total Intergovernmental Receivables | \$484,612 |

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

| | Balance 6/30/11 | Additions | Deletions | Balance 6/30/12 |
|---------------------------------------|--------------------|-------------|-----------|--------------------|
| Non-Depreciable Capital Assets: | | | | |
| Land | \$718,812 | \$0 | \$0 | \$718,812 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 1,570,652 | 21,500 | 0 | 1,592,152 |
| Buildings and Improvements | 28,588,848 | 71,324 | 0 | 28,660,172 |
| Furniture and Equipment | 1,881,330 | 96,076 | (147,845) | 1,829,561 |
| Vehicles | 1,466,999 | 134,765 | (198,516) | 1,403,248 |
| Total Depreciable Capital Assets | 33,507,829 | 323,665 | (346,361) | 33,485,133 |
| Accumulated Depreciation: | | | | |
| Land Improvements | (827,651) | (9,064) | 0 | (836,715) |
| Buildings and Improvements | (10,778,295) | (927,183) | 0 | (11,705,478) |
| Furniture and Equipment | (1,303,144) | (97,164) | 147,303 | (1,253,005) |
| Vehicles | (1,367,249) | (58,139) | 198,516 | (1,226,872) |
| Total Accumulated Depreciation | (14,276,339) | (1,091,550) | 345,819 | (15,022,070) |
| Total Depreciable Capital Assets, Net | 19,231,490 | (767,885) | (542) | 18,463,063 |
| Governmental Capital Assets, Net | \$19,950,302 | (\$767,885) | (\$542) | \$19,181,875 |

*Depreciation expense was charged to governmental activities as follows:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| | |
|-----------------------------------------|---------------------------|
| Instruction: | |
| Regular | \$797,417 |
| Special | 10,667 |
| Support Services: | |
| Instructional Staff | 62,007 |
| Board of Education | 5,152 |
| Administration | 3,065 |
| Fiscal | 12,175 |
| Operation and Maintenance of Plant | 22,193 |
| Pupil Transportation | 119,743 |
| Central | 1,071 |
| Food Service Operations | 38,158 |
| Operation of Non-Instructional Services | 1,251 |
| Extracurricular Activities | 18,651 |
| Total Depreciation Expense | <u><u>\$1,091,550</u></u> |

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 2012 the School District contracted with Ohio School Plan for property and inland marine coverage, and for fleet insurance and liability insurance. Flood insurance was provided by the National Flood Insurance. The Ohio School Plan provided by Schwendeman Agency of Ohio are as follows:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| | |
|-------------------------------------------------------------|--------------|
| Building and Contents-replacement cost (\$1,000 deductible) | \$55,487,250 |
| Automotive Liability (\$500 deductible) | 3,000,000 |
| Uninsured Motorist (\$500 deductible) | 1,000,000 |
| <i>General Liability:</i> | |
| Each Occurrence | 3,000,000 |
| Aggregated Limit | 5,000,000 |
| Personal and Advertising Injury Limit - Each Occurrence: | 3,000,000 |
| <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 | 3,000,000 |
| Aggregated Limit | 5,000,000 |
| Defense Aggregate | 100,000 |
| <i>Employee Benefits Liability:</i> | |
| Each Occurrence | 1,000,000 |
| Aggregated Limit | 1,000,000 |
| <i>Employer's Liability:</i> | |
| Each Occurrence | 3,000,000 |
| Aggregated Limit | 3,000,000 |
| Disease - Each Employee | 3,000,000 |
| <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 2012, 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 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The Board pays 90 percent of the premiums for the classified employees and 85 percent of the premiums for the certified staff which are \$1,811.02 per family and \$698.46 for single coverage. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$201,066 reported in the internal service fund at June 30, 2012 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</u> <u>Beginning of Year</u> | <u>Current Year</u> <u>Claims</u> | <u>Claims</u> <u>Payments</u> | <u>Balance at End</u> <u>of Year</u> |
|------|-----------------------------------------------|--------------------------------------|----------------------------------|-----------------------------------------|
| 2011 | \$218,098 | \$2,795,155 | \$2,762,494 | \$250,759 |
| 2012 | 250,759 | 2,295,033 | 2,344,726 | 201,066 |

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 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, 2012, 2011, and 2010 were \$271,597, \$208,160, and \$345,876, respectively. For fiscal years 2012 and 2011, 100 percent has been contributed. For fiscal year 2010, 65.51 percent has been contributed, with the balance being reported as an intergovernmental payable.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 can 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.

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, 2012, plan members were 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 \$582,680 and \$5,096 for the fiscal year ended June 30, 2012, \$659,248 and \$551 for the fiscal year ended June 30, 2011, and \$887,706 and \$119 for the fiscal year ended June 30, 2010. For fiscal year 2012, 81.26 percent has been contributed for the DB plan and 81.26 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 2011 and 2010.

No contributions were made to STRS Ohio for the DC Plan for fiscal year 2012 by the School District or by the plan members. In addition, member contributions of \$3,640 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, no member of the Board of Education has elected Social Security.

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, Medicare Advantage, 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 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 2012, .55 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 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$33,011 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.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$11,762, \$28,914, and \$13,574, respectively. For fiscal years 2012 and 2011, 100 percent has been contributed. For fiscal year 2010, 65.51 percent has been contributed, with the balance being reported as an intergovernmental payable.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$16,039, \$15,367, and \$20,633 respectively. For fiscal years 2012 and 2011, 100 percent has been contributed. For fiscal year 2010, 65.51 percent has been contributed, with the balance being reported as an intergovernmental payable.

Bellaire Local School District
Notes to the Basic Financial Statements
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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 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 2012, 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, 2012, 2011, and 2010 were \$44,520, \$54,831, and \$63,929 respectively. For fiscal year 2012, 81.26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 275 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 \$15.31 per month.

NOTE 14 – FUND OBLIGATIONS

Solvency Assistance Advances - The School District participated in the State Solvency Assistance program in fiscal years 2010, 2011 and 2012. Based on program guidelines, the program allows for advances against the state foundation revenue to be provided at a zero percent rate to be repaid through deductions from the School District's state foundation receipts. See Going Concern - Note 23 for additional information. The School District had received \$3,667,000 in state operating loan proceeds during fiscal year 2010, of which \$1,833,500 was repaid in each of fiscal years 2011 and 2012, leaving no remaining balance for the 2010 advance. The School District had received \$1,273,000 in state solvency assistance advances during fiscal year 2011, \$636,500 of which was repaid during fiscal year 2012, leaving \$636,500 outstanding at June 30, 2012 for the 2011 advance. The School District received

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

\$1,775,000 in solvency assistance advances during fiscal year 2012 leaving a total outstanding balance of \$2,411,500 at June 30, 2012. 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> |
|--------------------|---------------------------|
| 2013 | \$1,524,000 |
| 2014 | <u>887,500</u> |
| Total | <u><u>\$2,411,500</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 \$9,794. Principal payments in fiscal year 2012 totaled \$36,561, in the governmental funds.

Future minimum lease payments through 2013 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------|-----------------|
| 2013 | <u>\$19,403</u> | <u>\$455</u> |

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 16 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

| | Principal | | | Principal | |
|------------------------------------------|-------------|-----------|------------|-------------|-----------|
| | Outstanding | | | Outstanding | Amounts |
| | 6/30/11 | Additions | Deductions | 6/30/12 | Due In |
| | | | | | One Year |
| <u>General Obligation Bonds:</u> | | | | | |
| 2000 School Facilities Bonds | | | | | |
| Serial Bonds \$2,633,000 @ 4.2% to 5.8 % | \$765,000 | \$0 | \$175,000 | \$590,000 | \$185,000 |
| 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% | 135,000 | 0 | 30,000 | 105,000 | 35,000 |
| CAB Bonds \$249,996 @ 3.9%-4.0% | 249,996 | 0 | 0 | 249,996 | 0 |
| CAB Accretion \$290,004 @ 9.697% | 58,620 | 30,716 | 0 | 89,336 | 0 |
| Premium \$169,073 | 143,061 | 0 | 13,006 | 130,055 | 0 |
| Total 2009 Refunding Bonds | 1,981,677 | 30,716 | 43,006 | 1,969,387 | 35,000 |
| Total General Obligation Bonds | 2,746,677 | 30,716 | 218,006 | 2,559,387 | 220,000 |
| Capital Leases | 55,964 | 0 | 36,561 | 19,403 | 19,403 |
| Compensated Absences | 1,473,278 | 138,207 | 476,793 | 1,134,692 | 174,934 |
| Total General Long-Term Obligations | \$4,275,919 | \$168,923 | \$731,360 | \$3,713,482 | \$414,337 |

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, 2012 are as follows:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| Fiscal Year Ending June 30 | Serial Bonds | |
|-------------------------------|--------------|----------|
| | Principal | Interest |
| 2013 | \$185,000 | \$31,696 |
| 2014 | 195,000 | 19,631 |
| 2015 | 210,000 | 6,720 |
| Total | \$590,000 | \$58,047 |

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 Term Bonds. As of June 30, 2011 all of the refunded bonds had been called and fully repaid. The amortization of the premium for fiscal year 2012 was \$13,006. The amortization of the issuance costs for fiscal year 2012 was \$3,499.

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 2012 was \$30,716, leaving a total bond liability of \$339,332.

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

| December 1 | Principal Amount to be Redeemed |
|------------|------------------------------------|
| 2013 | \$35,000 |
| 2014 | 35,000 |
| | \$70,000 |

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.

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, 2012 are as follows:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| Fiscal Year | Serial/Term Bonds | | Capital Appreciation Bonds | | Total | |
|-------------|--------------------|------------------|----------------------------|------------------|--------------------|------------------------|
| | Principal | Interest | Principal | Accretion | Principal | Accretion/ Interest |
| 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 | 0 | 45,600 | 130,912 | 139,088 | 130,912 | 184,688 |
| 2018-2022 | 1,140,000 | 138,800 | 119,084 | 150,916 | 1,259,084 | 289,716 |
| Totals | <u>\$1,500,000</u> | <u>\$402,764</u> | <u>\$249,996</u> | <u>\$290,004</u> | <u>\$1,749,996</u> | <u>\$692,768</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 \$8,269,696, with an unvoted debt margin of \$110,257 at June 30, 2012.

NOTE 17 – INTERNAL BALANCES

Interfund balances at June 30, 2012 consist of the following individual interfund receivables and payables:

| Interfund Payable | Interfund Receivable | | |
|-----------------------------------|----------------------|------------------------------------------|------------------|
| | Major Funds | | |
| | General Fund | Classroom Facilities Maintenance Fund | Total |
| General Fund | \$0 | \$239,739 | \$239,739 |
| Other Nonmajor Governmental Funds | 82,851 | 0 | 82,851 |
| Total | <u>\$82,851</u> | <u>\$239,739</u> | <u>\$322,590</u> |

The loan made to the General Fund was used to cover an actual cash deficit. The cash deficit was covered by cash and cash equivalents from the Classroom Facilities Maintenance Fund. The loans made from the General Fund to the Miscellaneous State Grants, Miscellaneous Federal Grants and Title I Special Revenue Funds were made to support the programs until state, federal and other monies are received.

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, appropriating, contracting and taxing authority. The Board also exercises total control over operations and designates management. During fiscal year 2012, 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 exercises total control over budgeting, appropriating, contracting and designating of management. The Board has sole authority for establishing rates for services. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2012, the total amount paid to OME-RESA from the School District was \$42,591 for cooperative gas purchasing services, \$23,102 for technology services and \$20,602 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. 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 2012.

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 over one hundred members, including two insurance consortiums. Each participant appoints 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 \$150,000 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 \$500,000, and all claims between the deductible and the \$500,000 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 \$500,000, 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.

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 operating subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Bellaire Public Library, Clerk/Treasurer, at 32nd and Guernsey Street, Bellaire, Ohio 43906.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School Districts 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 2012.

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

| | <u>Capital Improvements</u> |
|--------------------------------------------------|---------------------------------|
| Set-aside Restricted Balance as of June 30, 2011 | \$0 |
| Current Year Set-aside Requirement | 225,216 |
| Legislative Reduction | <u>(225,216)</u> |
| Totals | <u>\$0</u> |
| Balance Carried Forward to Fiscal Year 2013 | <u>\$0</u> |
| Set-aside Restricted Balance as of June 30, 2012 | <u>\$0</u> |

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, 2012.

B. Litigation

The School District is not currently party to any legal proceedings.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

C. Average Daily Membership Review

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

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. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which included additional reductions in the amount of \$908,725. The revised plan was approved on June 21, 2012.

Based on the most recent Commission-adopted five year forecast, the District is projecting a deficit cash balance in fiscal year 2013, and deficit unreserved fund balance in fiscal year 2013, with positive cash and unreserved fund balance beginning in fiscal year 2014.

NOTE 24 – SUBSEQUENT EVENTS NOTE

A. Emergency Tax Levy

On July 9, 2012, the Board approved a resolution to proceed with placing a five-year 8.72 Mills Emergency Tax Levy on the ballot of the November 6, 2012 general election. The levy was intended for the general operations of the School District and would generate \$961,000 per year. The levy was defeated by the voters of the Bellaire Local School District.

On January 14, 2013, the Board approved to proceed with placing a five-year 8.25 Mills Emergency Tax Levy on the ballot of the May 7, 2013 election. The levy is intended for the general operations of the School District and would generate \$961,200 per year.

B. Labor Contract

On August 30, 2012, the Board approved a two year labor agreement with the certified staff, represented by the Bellaire Education Association. The agreement is effective July 1, 2012 through June 30, 2014.

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**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| FEDERAL GRANTOR/ Pass-Through Grantor Program Title | Pass-through Entity Number | Federal CFDA Number | Receipts | Expenditures |
|----------------------------------------------------------------------------------------|----------------------------------|---------------------------|---------------------------|---------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| <i>Passed-Through Ohio Department of Education:</i> | | | | |
| Child Nutrition Cluster: | | | | |
| Cash Assistance: | | | | |
| School Breakfast Program | 043570-05PU-12 | 10.553 | \$189,448 | \$189,448 |
| National School Lunch Program | 043570-LLP4-12 | 10.555 | <u>317,077</u> | <u>317,077</u> |
| Cash Assistance Total | | | <u>506,525</u> | <u>506,525</u> |
| Total U.S. Department of Agriculture - Child Nutrition Cluster | | | 506,525 | 506,525 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <i>Passed-Through Ohio Department of Education:</i> | | | | |
| Title I, Part A Cluster: | | | | |
| Title I Grants to Local Educational Agencies | 043570-C1S1-11 | 84.010 | 52,519 | 79,640 |
| | 043570-C1S1-12 | | <u>494,478</u> | <u>537,252</u> |
| Title I Grants to Local Educational Agencies Subtotal | | | 546,997 | 616,892 |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 043570-11 | 84.389 | <u>56,274</u> | <u>45,230</u> |
| Total Title I, Part A Cluster | | | 603,271 | 662,122 |
| Special Education Cluster (IDEA): | | | | |
| Special Education, Grants to States (IDEA, Part B) | 043570-6BSF-11 | 84.027 | 59,976 | 64,692 |
| | 043570-6BSF-12 | | <u>355,011</u> | <u>384,077</u> |
| Special Education, Grants to States (IDEA, Part B) Subtotal | | | 414,987 | 448,769 |
| ARRA - Special Education, Grants to States (IDEA, Part B), Recovery Act | 043570-11 | 84.391 | <u>71,796</u> | <u>71,921</u> |
| Total Special Education Cluster (IDEA) | | | 486,783 | 520,690 |
| Safe and Drug-Free Schools and Communities, State Grants | 043570-DRS1-11 | 84.186 | 115 | |
| Education Technology State Grants | 043570-TJS1-11 | 84.318 | (910) | |
| | 043570-TJS1-12 | | <u>2,810</u> | <u>4,604</u> |
| Total Education Technology State Grants | | | 1,900 | 4,604 |
| Improving Teacher Quality State Grants | 043570-TRS1-11 | 84.367 | 23,947 | 27,141 |
| | 043570-TRS1-12 | | <u>92,881</u> | <u>95,480</u> |
| Total Improving Teacher Quality State Grants | | | 116,828 | 122,621 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 043570-10 | 84.394 | | 61,121 |
| Education Jobs Fund | 043570-11 | 84.410 | 209,210 | 97,054 |
| | 043570-12 | | <u>34,901</u> | <u>31,901</u> |
| Total Education Jobs Fund | | | 244,111 | 128,955 |
| Safe and Drug-Free Schools and Communities, National Program - Direct Program | | | | |
| Safe Schools-Healthy Students Initiative Discretionary Grant - River School Initiative | Q184L080060-11 | 84.184L | 438,810 | 483,778 |
| | Q184L080060-12 | | <u>184,643</u> | <u>105,166</u> |
| Total Safe and Drug-Free Schools and Communities, National Program | | | <u>623,453</u> | <u>588,944</u> |
| Total U.S. Department of Education | | | <u>2,076,461</u> | <u>2,089,057</u> |
| Total Federal Awards Receipts and Expenditures | | | <u>\$2,582,986</u> | <u>\$2,595,582</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, 2012**

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. This transfer resulted in the Schedule reporting negative receipts. The School District transferred the following amount from 2011 to 2012 programs:

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Amount Transferred from 2011 to 2012</u> |
|-----------------------------------|--------------------|-------------------------------------------------|
| Education Technology State Grants | 84.318 | \$ 910 |



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 34th 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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 8, 2013, 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. 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 material misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2012-02 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 2012-01.

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 February 8, 2013.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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

February 8, 2013



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 34th Street
Bellaire, Ohio 43906

To the Board of Education

Compliance

We have audited the compliance of the 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, 2012. 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*. These 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 these 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 these requirements.

As describe in Finding 2012-03 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Cash Management applicable to its Special Education Cluster (IDEA) major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2012.

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 expressing our opinion 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-03 to be a material weakness.

The School District's response to the finding we identified 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 also noted a matter 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 February 8, 2013.

We intend this report solely for the information and use of the audit committee, management, the 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

February 8, 2013

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified for all major programs except for the Cash Management requirement applicable to the Special Education Cluster (IDEA), which we qualified. |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster CFDA #10.553 and #10.555 Special Education Cluster (IDEA) – CFDA #84.027 and #84.391 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

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

FINDING NUMBER 2012-01

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

As of June 30, 2012, General Fund appropriations of \$14,080,881 exceeded estimated resources of \$11,911,900 by \$2,168,981.

We recommend the School District monitor appropriations and estimated resources and file amendments as needed with the County Auditor to ensure that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. This will help to reduce the risk of disbursements exceeding actual revenues available and will add a measure of control over the School District's budgetary process.

Officials' Response: Bellaire Local has made many cuts in staffing and in expenditures again in Fiscal Year 2013. A 20% decrease in Health Benefit expenditures, 2 Administrative staff cuts, and a change in copier plans have made significant savings for the District. Along with these savings and operating a leaner staff should ensure the total appropriations not to exceed the official estimate or amended official estimate.

FINDING NUMBER 2012-02

Significant Deficiency

The School District should establish internal controls to reasonably assure that the budgetary accounts, at the legal level of control or lower, are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The School District Treasurer did not always accurately post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

| |
|-------------------------------------------------------------------------------------------------------------------------|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|-------------------------------------------------------------------------------------------------------------------------|

FINDING NUMBER 2012-02 (Continued)

Significant Deficiency (Continued)

| Fund | Amount per Last Amended Certificate | Amount Posted to Accounting System | Variance |
|-------------------|-------------------------------------------|---------------------------------------------|-----------|
| General | \$12,012,881 | \$11,669,000 | \$343,881 |
| Principal Account | 45,232 | 45,000 | 232 |
| Athletics | 95,000 | 95,175 | (175) |
| Title VI-B | 527,537 | 438,000 | 89,537 |
| Title I | 749,669 | 852,880 | (103,211) |

The School District Treasurer did not always accurately post appropriations, and any amendments made to them, to the accounting system. Variances existed between the appropriation resolution/amendments and the amounts posted to the accounting system. The following table details these variances:

| Fund | Amount per Final Appropriation Resolution | Amount Posted to Accounting System | Variance |
|----------------------------|----------------------------------------------------|---------------------------------------------|-----------|
| General | \$14,080,881 | \$13,737,000 | \$343,881 |
| Principal Account | 44,432 | 44,200 | 232 |
| Network Connectivity | 9,225 | 4,000 | 5,225 |
| Miscellaneous State Grants | 21,553 | 25,586 | (4,033) |
| Title VI-B | 512,537 | 420,000 | 92,537 |
| Title II-D | 4,000 | 11,462 | (7,462) |
| Title I | 757,669 | 708,000 | 49,669 |
| Improving Teacher Quality | 126,808 | 93,000 | 33,808 |
| Other Federal Grants | 653,683 | 1,455,260 | (801,577) |

We recommend the Treasurer post appropriations, estimated receipts, and any amendments made to them, into the accounting system after approved by the School District Board and certified by the County Auditor to help ensure effective budgetary monitoring.

Officials' Response: I have implemented the use of an excel spreadsheet that will be updated regularly to ensure the accuracy of the appropriations, estimates, receipts, and amendments. This excel spreadsheet will be tied to the BUDSEL for accuracy and at that time I will initiate any changes needed to make sure the appropriations, receipts and any amendments are posted to the system.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

| |
|--------------------------------------|
| 3. FINDING FOR FEDERAL AWARDS |
|--------------------------------------|

| | |
|------------------------------------|----------------------------------|
| Finding Number | 2012-03 |
| CFDA Title and Number | Special Education Cluster (IDEA) |
| Federal Award Number / Year | 2012, 2011 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance and Material Weakness – Cash Management

34 C.F.R. 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. **Ohio Department of Education Project Cash Request Instructions** state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 CFR part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds **MUST** be expended within the period of time for which cash is requested.

For the Special Education Cluster (IDEA), 5 of 12 drawdowns were not spent within the period of time for which cash was requested.

We recommend the School District Treasurer review the process for requesting federal dollars to ensure the advance funds are used in the month in which they are received.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDING FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|----------------------------------|
| Finding Number | 2012-03 (Continued) |
| CFDA Title and Number | Special Education Cluster (IDEA) |
| Federal Award Number / Year | 2012, 2011 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Officials' Response and Corrective Action Plan: In order to conform to the ODE Project Cash Request instructions, I have implemented a system of preparing a Project Cash Request during the last week of every month. The amount requested will be the negative cash balance shown in that particular fund. No advanced funds will be requested.

Responsible contact person – Cynthia Shaw, Treasurer/CFO; Anticipated completion date – June 30, 2013.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|-------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 2011-01 | Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in several funds. | No | Partially corrected; Reissued in the Management Letter. |



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Bellaire Local School District
Belmont County
340 34th 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 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 amended its anti-harassment policy at its meeting on February 13, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 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

February 8, 2013

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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 26, 2013**