



Mary Taylor, CPA
Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Mary Taylor, CPA

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, 2006, 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 that 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, 2006, and the respective changes in financial position 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2007, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 12, 2007

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Unaudited

The discussion and analysis of Bellaire Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- Net assets decreased \$1,189,610.
- General revenues accounted for \$10,540,494 in revenue or 63 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,201,055 or 37 percent of total revenues of \$16,741,549.
- Total assets of governmental activities decreased by \$1,179,871 primarily due to annual depreciation expense of capital assets.
- The School District had \$17,931,159 in expenses related to governmental activities; only \$6,201,055 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10,540,494 were not adequate to provide for these programs.
- 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 \$11,438,090 in revenues and \$11,686,283 in expenditures. The general fund's balance decreased \$248,193. The debt service fund had revenues in the amount of \$349,831 and total expenditures in the amount of \$334,005 which resulted in a fund balance increase of \$15,826. The classroom facilities maintenance fund had revenue and other financing sources in the amount of \$756,751 and total expenditures in the amount of \$27,898 which resulted in a fund balance increase of \$728,853.

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 fund are the only major or significant funds.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

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 2006?" 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 takes into account 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 23. 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.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Unaudited

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose-trust fund. The 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 District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the 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 2006 compared to 2005.

Table 1
Net Assets

	Government Activities		Change
	2006	2005	
Assets			
Current and Other Assets	\$6,217,479	\$6,253,564	(\$36,085)
Capital Assets	24,081,595	25,225,381	(1,143,786)
Total Assets	30,299,074	31,478,945	(1,179,871)
Liabilities			
Long-Term Liabilities	5,308,791	5,323,115	(14,324)
Other Liabilities	4,524,784	4,500,721	24,063
Total Liabilities	9,833,575	9,823,836	9,739
Net Assets			
Invested in Capital Assets Net of Debt	20,518,063	21,489,475	(971,412)
Restricted	2,484,033	2,228,332	255,701
Unrestricted (Deficit)	(2,536,597)	(2,062,698)	(473,899)
Total Net Assets	\$20,465,499	\$21,655,109	(\$1,189,610)

Total assets decreased \$1,179,871 although current and other assets decreased \$36,085, equity in pooled cash and cash equivalents increased \$244,396. Capital assets decreased by \$1,143,786 due primarily to annual depreciation expense which was slightly offset with additions to capital assets.

Total net assets of the School District's government activities decreased by \$1,189,610. The unrestricted (deficit) net assets increased by \$473,899 which is partly due to additional costs to the District for the special termination benefits payable liability offered to the teachers with thirty or more years of service, matured severance payable, compensated absences payable and the deficit balance in the food service special revenue fund.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Unaudited

Table 2 shows the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

Table 2
Changes in Net Assets

	Government Activities		Change
	2006	2005	
Revenues			
<i>Program Revenue</i>			
Charges for Services and Sales	\$1,407,315	\$1,482,040	(\$74,725)
Operating Grants and Contributions	4,752,342	4,267,934	484,408
Capital Grants and Contributions	41,398	36,204	5,194
<i>Total Program Revenue</i>	<u>6,201,055</u>	<u>5,786,178</u>	<u>414,877</u>
<i>General Revenue</i>			
Property Taxes	2,491,095	2,403,562	87,533
Grants and Entitlements	7,953,429	7,994,688	(41,259)
Investment Earnings	65,225	43,714	21,511
Other	30,745	41,877	(11,132)
<i>Total General Revenue</i>	<u>10,540,494</u>	<u>10,483,841</u>	<u>56,653</u>
Total Revenues	<u>16,741,549</u>	<u>16,270,019</u>	<u>471,530</u>
Program Expenses			
Instruction:			
Regular	7,375,899	8,096,774	(720,875)
Special	2,843,776	1,978,437	865,339
Vocational	177,262	216,547	(39,285)
Support Services:			
Pupil	1,307,089	1,114,751	192,338
Instructional Staff	241,590	172,857	68,733
Board of Education	29,654	17,582	12,072
Administration	1,508,042	1,249,325	258,717
Fiscal	243,328	257,551	(14,223)
Operation and Maintenance of Plant	1,465,121	1,287,071	178,050
Pupil Transportation	1,036,133	962,907	73,226
Central	128,332	131,247	(2,915)
Operation of Non-Instructional Services	268,894	323,612	(54,718)
Food Service Operations	778,418	677,220	101,198
Extracurricular Activities	302,453	301,549	904
Intergovernmental	0	230,679	(230,679)
Interest and Fiscal Charges	225,168	226,100	(932)
Total Expenses	<u>17,931,159</u>	<u>17,244,209</u>	<u>686,950</u>
Change in Net Assets	(1,189,610)	(974,190)	(215,420)
Net Assets Beginning of Year	<u>21,655,109</u>	<u>22,629,299</u>	<u>(974,190)</u>
Net Assets End of Year	<u><u>\$20,465,499</u></u>	<u><u>\$21,655,109</u></u>	<u><u>(\$1,189,610)</u></u>

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Unaudited

Governmental Activities

Property taxes made up approximately 15 percent of revenues for Bellaire Local School District in fiscal year 2006, this revenue source increased slightly over fiscal year 2005. Charges for services program revenue decreased \$74,725 while operating grants program revenue increased \$484,408 due to increased special education funds and increased allocations for the federal funds.

Instruction comprises approximately 58 percent of governmental program expenses, an increase of \$105,179 from fiscal year 2005. Overall, program expenses of the School District increased by \$686,950 with the largest increases being reflected in the support services pupils, administration and operation and maintenance of plant including gas and utilities costs. These increases were slightly offset by the largest decreases being reflected in the intergovernmental expense (which was the repayment to the Ohio School Facilities Commission in fiscal year 2005), and operation of non-instructional services.

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 2006 compared to fiscal year 2005. 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	
	2006	2005	2006	2005
Instruction:				
Regular	\$7,375,899	\$8,096,774	\$6,697,479	\$6,716,308
Special	2,843,776	1,978,437	(204,361)	(35,490)
Vocational	177,262	216,547	149,674	192,409
Support Services				
Pupils	1,307,089	1,114,751	544,074	259,021
Instructional Staff	241,590	172,857	75,735	77,041
Board of Education	29,654	17,582	29,654	5,615
Administration	1,508,042	1,249,325	1,363,132	1,019,821
Fiscal	243,328	257,551	242,017	253,582
Operation and Maintenance of Plant	1,465,121	1,287,071	1,434,997	1,281,800
Pupil Transportation	1,036,133	962,907	941,448	877,867
Central	128,332	131,247	128,332	131,247
Operation of Non-Instructional Services	268,894	323,612	(13,335)	15,662
Food Service Operations	778,418	677,220	63,327	17,771
Extracurricular Activities	302,453	301,549	52,763	188,598
Intergovernmental	0	230,679	0	230,679
Interest and Fiscal Charges	225,168	226,100	225,168	226,100
Total Expenses	<u>\$17,931,159</u>	<u>\$17,244,209</u>	<u>\$11,730,104</u>	<u>\$11,458,031</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 65 percent of instruction activities are supported through taxes and other general revenues.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Unaudited

The School District's Funds

Information about the School District's major funds starts on page 23. These funds are accounted for using the modified accrual basis of accounting. The General Fund had \$11,438,090 in revenues and \$11,686,283 in expenditures, the Debt Service Fund had \$349,831 in revenues and \$334,005 in expenditures and the Classroom Facilities Maintenance Fund had \$756,751 in revenues and other financing sources and \$27,898 in expenditures. Overall, including transfers the General Fund's balance decreased \$248,193, the Debt Service Fund's balance increased \$15,826 and the Classroom Facilities Maintenance Fund's balance increased \$728,853 due to the Ohio School Facilities Commission agreement that the capital projects fund be closed to the Classroom Facilities Maintenance Special Revenue Fund causing the Classroom Facilities Maintenance Fund to be a major fund during fiscal year 2006.

General Fund 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 fund is the General Fund.

During the course of fiscal 2006 the School District amended its general fund and the classroom facilities maintenance fund appropriations, and the budgetary statements reflect both the original and final appropriated amounts. For the classroom facilities maintenance fund there were significant changes between the original and final receipts resulting from the original certification amount for property taxes being lower than the final as the County Auditor does not certify at 100 percent. This fund also had significant changes between the original appropriations and the final appropriations resulting from anticipated expenditures not being made.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006 the School District had \$24,081,595 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal 2006 balances compared to 2005:

Table 4
 Capital Assets Net of Depreciation

	Government Activities	
	2006	2005
Land	\$732,299	\$732,299
Land Improvements	958,478	1,011,538
Buildings and Improvements	21,593,269	22,413,471
Furniture and Equipment	396,303	477,487
Vehicles	337,630	399,733
Textbooks	63,616	190,853
Totals	\$24,081,595	\$25,225,381

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Unaudited

Debt

At June 30, 2006 the School District had \$3,365,000 outstanding in general obligation bonds and \$198,532 in capital leases outstanding with \$197,595 due within one year.

Table 5 summarizes bonds and notes outstanding:

Table 5
 Outstanding Debt at Year End

	Government Activities	
	2006	2005
2000 School Facilities Bonds		
Term Bonds	\$1,405,000	\$1,405,000
Serial Bonds	1,960,000	2,085,000
Capital Leases	198,532	245,906
Total	\$3,563,532	\$3,735,906

See note 15 for more detailed information on the School District's debt.

Economic Factors

The Bellaire Local School District is 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." The school district works as a unit to financially maintain the resources to fulfill this statement. Approximately 60 percent of the district's students are economically disadvantaged and 25 percent are identified as students with disabilities. The district is eligible and aggressive in pursuing state and federal monies as sources of added revenue.

In the fall of 2001, the District opened a new elementary school and a new middle school and an extensively renovated high school. The Ohio School Facilities Commission project allows the district some financial relief in the maintenance of the structure. However, the everyday maintenance and utilities have increased expenses from the General Fund.

The District relies heavily on state foundation funding and property taxes. Changes in school foundation formulas, decreases in enrollment, very little growth in tax valuations and loss of personal property tax revenue have held revenue growth to a minimum. The District acknowledges the erosion of prior year carryover balances, as evidenced in the five-year forecast and continues to implement cost cutting measures: not filling administrative and teaching positions, filling required positions with lower paid employees, offering a special termination benefit to certified staff. In fiscal year 2006, four staff members took advantage of the incentive. The District previously implemented cost saving measures for district utilities, building repairs and bus fuel.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Unaudited

The Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, the Court has in effect decided that they have, barring another lawsuit, completed their responsibility in the case. Ending the high court's involvement has left Ohio with a school funding system that has been determined to be unconstitutional but failed to provide the framework to fix it. At this time, there can be no reasonable estimate of the impact of school funding.

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 Tara L. Boyer, Treasurer/CFO at Bellaire Local School District, 340 34th Street, Bellaire, Ohio 43906.

Bellaire Local School District

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,479,855
Accrued Interest Receivable	19,799
Intergovernmental Receivable	314,042
Investments	267,589
Prepaid Items	44,699
Materials and Supplies Inventory	74,499
Property Taxes Receivable	3,016,996
Non-Depreciable Capital Assets	732,299
Depreciable Capital Assets, Net	<u>23,349,296</u>
 Total Assets	 <u>30,299,074</u>
Liabilities	
Accounts Payable	80,350
Accrued Wages and Benefits Payable	1,315,454
Intergovernmental Payable	426,468
Matured Severance Payable	95,550
Vacation Benefits Payable	91,931
Accrued Interest Payable	16,586
Claims Payable	9,321
Special Termination Benefits Payable	60,000
Deferred Revenue	2,429,124
Long-Term Liabilities:	
Due Within One Year	323,186
Due In More Than One Year	<u>4,985,605</u>
 Total Liabilities	 <u>9,833,575</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	20,518,063
Restricted for:	
Capital Projects	267,472
Debt Service	373,637
Classroom Maintenance	961,090
State Grant	470,895
Federal Grant	22,938
Title I Grant	233,885
Bus Purchase	12,856
Other Purposes	141,260
Unrestricted (Deficit)	<u>(2,536,597)</u>
 Total Net Assets	 <u><u>\$20,465,499</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$7,375,899	\$401,894	\$276,526	\$0	(\$6,697,479)
Special	2,843,776	315,692	2,732,445	0	204,361
Vocational	177,262	0	27,588	0	(149,674)
Support Services:					
Pupil	1,307,089	0	734,473	28,542	(544,074)
Instructional Staff	241,590	0	165,855	0	(75,735)
Board of Education	29,654	0	0	0	(29,654)
Administration	1,508,042	0	144,910	0	(1,363,132)
Fiscal	243,328	0	1,311	0	(242,017)
Operation and Maintenance of Plant	1,465,121	1,600	28,524	0	(1,434,997)
Pupil Transportation	1,036,133	0	81,829	12,856	(941,448)
Central	128,332	0	0	0	(128,332)
Operation of Non-Instructional Services	268,894	211,989	70,240	0	13,335
Food Service Operations	778,418	239,615	475,476	0	(63,327)
Extracurricular Activities	302,453	236,525	13,165	0	(52,763)
Interest and Fiscal Charges	225,168	0	0	0	(225,168)
Total Governmental Activities	\$17,931,159	\$1,407,315	\$4,752,342	\$41,398	(11,730,104)

General Revenues

Property Taxes Levied for General Purposes	1,914,976
Property Taxes Levied for Capital Outlay	219,912
Property Taxes Levied for Debt Service	313,344
Property Taxes Levied for Building Maintenance	42,863
Grants and Entitlements not Restricted to Specific Programs	7,953,429
Gifts and Donations	4,026
Investment Earnings	65,225
Miscellaneous	26,719
Total General Revenues	10,540,494
Change in Net Assets	(1,189,610)
Net Assets Beginning of Year	21,655,109
Net Assets End of Year	\$20,465,499

See accompanying notes to the basic financial statements

Bellaire Local School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$303,737	\$311,870	\$938,622	\$912,770	\$2,466,999
Investments	0	0	0	267,589	267,589
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	12,856	0	0	0	12,856
Receivables:					
Property Taxes	2,329,906	385,980	54,046	247,064	3,016,996
Intergovernmental	140,000	0	0	174,042	314,042
Interfund	303,303	0	0	556	303,859
Accrued Interest	2,384	0	11,195	6,220	19,799
Prepaid Items	38,699	0	672	5,328	44,699
Materials and Supplies Inventory	61,230	0	0	13,269	74,499
<i>Total Assets</i>	<u>\$3,192,115</u>	<u>\$697,850</u>	<u>\$1,004,535</u>	<u>\$1,626,838</u>	<u>\$6,521,338</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$24,704	\$0	\$0	\$55,646	\$80,350
Accrued Wages and Benefits	983,891	0	0	331,563	1,315,454
Matured Severance Payable	95,550	0	0	0	95,550
Interfund Payable	0	0	0	303,859	303,859
Intergovernmental Payable	334,637	0	0	91,831	426,468
Claims Payable	9,321	0	0	0	9,321
Special Termination Benefits Payable	60,000	0	0	0	60,000
Deferred Revenue	2,330,441	363,648	62,138	407,239	3,163,466
<i>Total Liabilities</i>	<u>3,838,544</u>	<u>363,648</u>	<u>62,138</u>	<u>1,190,138</u>	<u>5,454,468</u>
Fund Balances (Deficit)					
Reserved for Encumbrances	94,299	0	18,165	177,510	289,974
Reserved for Property Taxes	132,095	22,332	3,103	13,888	171,418
Reserved for Bus Purchases	12,856	0	0	0	12,856
Unreserved, Undesignated, Reported in:					
General Fund	(885,679)	0	0	0	(885,679)
Special Revenue Funds	0	0	921,129	39,331	960,460
Debt Service Fund	0	311,870	0	0	311,870
Capital Projects Funds	0	0	0	205,971	205,971
<i>Total Fund Balances(Deficit)</i>	<u>(646,429)</u>	<u>334,202</u>	<u>942,397</u>	<u>436,700</u>	<u>1,066,870</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,192,115</u>	<u>\$697,850</u>	<u>\$1,004,535</u>	<u>\$1,626,838</u>	<u>\$6,521,338</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, 2006*

Total Governmental Fund Balances \$1,066,870

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

Capital assets used in governmental activities are not financial
resources and therefore are deferred in the funds. 24,081,595

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds:

Grants	174,042	
Property Taxes	416,454	
Interest	11,631	
Tuition and Fees	132,215	
Total		734,342

Some long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the funds:

General Obligation Serial/Term Bonds	3,365,000	
Vacation Leave Payable	91,931	
Compensated Absences	1,745,259	
Capital Leases	198,532	
Accrued Interest Payable	16,586	
Total		(5,417,308)

Net Assets of Governmental Activities \$20,465,499

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, 2006

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,888,448	\$308,397	\$42,218	\$201,754	\$2,440,817
Intergovernmental	8,712,394	41,434	5,584	3,826,510	12,585,922
Interest	31,191	0	4,758	25,912	61,861
Tuition and Fees	739,277	0	0	74,489	813,766
Extracurricular Activities	0	0	0	232,422	232,422
Rent	1,600	0	0	0	1,600
Contributions and Donations	1,706	0	0	2,320	4,026
Charges for Services	39,832	0	0	377,115	416,947
Miscellaneous	23,642	0	0	3,077	26,719
<i>Total Revenues</i>	<u>11,438,090</u>	<u>349,831</u>	<u>52,560</u>	<u>4,743,599</u>	<u>16,584,080</u>
Expenditures					
Current:					
Instruction:					
Regular	6,161,736	0	0	275,296	6,437,032
Special	1,089,172	0	0	1,798,510	2,887,682
Vocational	228,900	0	0	0	228,900
Support Services:					
Pupil	359,671	0	0	886,643	1,246,314
Instructional Staff	0	0	0	163,395	163,395
Board of Education	25,696	0	0	0	25,696
Administration	1,017,097	0	0	210,856	1,227,953
Fiscal	247,928	6,910	945	5,818	261,601
Operation and Maintenance of Plant	1,332,057	0	17,438	27,900	1,377,395
Pupil Transportation	867,426	0	0	59,055	926,481
Central	126,949	0	0	0	126,949
Operation of Non-Instructional Services	7,529	0	0	279,178	286,707
Food Service Operations	0	0	0	754,141	754,141
Extracurricular Activities	153,792	0	0	126,094	279,886
Capital Outlay	0	0	9,515	156,430	165,945
Debt Service:					
Principal Retirement	45,590	125,000	0	1,784	172,374
Interest and Fiscal Charges	22,740	202,095	0	844	225,679
<i>Total Expenditures</i>	<u>11,686,283</u>	<u>334,005</u>	<u>27,898</u>	<u>4,745,944</u>	<u>16,794,130</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(248,193)	15,826	24,662	(2,345)	(210,050)
Other Financing Sources (Uses)					
Transfers In	0	0	704,191	0	704,191
Transfers Out	0	0	0	(704,191)	(704,191)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>704,191</u>	<u>(704,191)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(248,193)	15,826	728,853	(706,536)	(210,050)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(398,236)</u>	<u>318,376</u>	<u>213,544</u>	<u>1,143,236</u>	<u>1,276,920</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$646,429)</u>	<u>\$334,202</u>	<u>\$942,397</u>	<u>\$436,700</u>	<u>\$1,066,870</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, 2006*

Net Change in Fund Balances - Total Governmental Funds (\$210,050)

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	53,674	
Depreciation	(1,197,460)	
Total	(1,143,786)	(1,143,786)

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

Grants	161,247	
Tuition and Fees	(54,282)	
Interest	3,364	
Property Taxes	50,278	
Total	160,607	160,607

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	125,000	
Capital Leases	47,374	
Total	172,374	172,374

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Accrued Interest		511
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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.

Vacation Benefits Payable	(11,216)	
Compensated Absences	(158,050)	
Total	(169,266)	(169,266)

Changes in Net Assets of Governmental Activities (\$1,189,610)

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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,809,062	\$1,880,680	\$1,880,680	\$0
Intergovernmental	8,357,084	8,788,153	8,788,153	0
Interest	29,056	27,506	29,056	1,550
Tuition and Fees	773,345	804,678	804,678	0
Rent	1,600	1,600	1,600	0
Contributions and Donations	1,706	1,706	1,706	0
Charges for Services	35,357	39,832	39,832	0
Miscellaneous	30,422	20,374	30,428	10,054
<i>Total Revenues</i>	<u>11,037,632</u>	<u>11,564,529</u>	<u>11,576,133</u>	<u>11,604</u>
Expenditures				
Current:				
Instruction:				
Regular	4,386,276	6,200,003	6,200,003	0
Special	774,079	1,080,732	1,080,732	0
Vocational	166,169	227,865	227,865	0
Support Services:				
Pupils	234,239	357,964	357,964	0
Board of Education	30,207	30,207	30,207	0
Administration	738,081	1,017,909	1,017,909	0
Fiscal	184,468	246,274	246,274	0
Operation and Maintenance of Plant	3,728,854	1,342,854	1,342,854	0
Pupil Transportation	666,940	891,027	891,027	0
Central	96,101	126,949	126,949	0
Extracurricular Activities	243,393	175,561	175,561	0
<i>Total Expenditures</i>	<u>11,248,807</u>	<u>11,697,345</u>	<u>11,697,345</u>	<u>0</u>
Excess of Revenues Under Expenditures	(211,175)	(132,816)	(121,212)	11,604
Other Financing Uses				
Advances Out	(722)	(722)	(722)	0
<i>Net Change in Fund Balance</i>	(211,897)	(133,538)	(121,934)	11,604
<i>Fund Balance Beginning of Year</i>	389,570	389,570	389,570	0
Prior Year Encumbrances Appropriated	177,216	177,216	177,216	0
<i>Fund Balance End of Year</i>	<u>\$354,889</u>	<u>\$433,248</u>	<u>\$444,852</u>	<u>\$11,604</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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$25,509	\$41,947	\$41,947	\$0
Intergovernmental	3,440	5,584	5,584	0
Interest	8,051	12,546	13,292	746
<i>Total Revenues</i>	<u>37,000</u>	<u>60,077</u>	<u>60,823</u>	<u>746</u>
Expenditures				
Current:				
Support Services:				
Fiscal	18,888	945	945	0
Operation and Maintenance of Plant	471,597	40,954	40,954	0
Capital Outlay	9,515	9,515	9,515	0
<i>Total Expenditures</i>	<u>500,000</u>	<u>51,414</u>	<u>51,414</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(463,000)	8,663	9,409	746
Other Financing Sources				
Transfers In	0	704,191	704,191	0
<i>Net Change in Fund Balance</i>	(463,000)	712,854	713,600	746
<i>Fund Balance Beginning of Year</i>	206,061	206,061	206,061	0
Prior Year Encumbrances Appropriated	9,327	9,327	9,327	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$247,612)</u>	<u>\$928,242</u>	<u>\$928,988</u>	<u>\$746</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$59	\$67,437
Investments	5,000	0
<i>Total Assets</i>	5,059	\$67,437
Liabilities		
Due to Students	0	\$67,437
<i>Total Liabilities</i>	0	\$67,437
Net Assets		
Held in Trust for Scholarships	5,059	
<i>Total Net Assets</i>	\$5,059	

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, 2006

	Private Purpose Trust Fund
Additions	
Interest	\$173
Deductions	
Scholarships Awarded	225
<i>Change in Net Assets</i>	(52)
<i>Net Assets Beginning of Year</i>	5,111
<i>Net Assets End of Year</i>	\$5,059

See accompanying notes to the basic financial statements

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 District's eastern border is the Ohio River. The District is staffed by 78 non-certificated employees, 124 full-time teaching personnel and 13 administrative employees who provide services to 1,450 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 bus garage.

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 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The School District is involved with five organizations, four jointly governed organizations, and one related organization. These organizations include the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the East Central Ohio Special Education Regional Resource Center (ECO SERRC), the Coalition of Rural and Appalachian Schools (CORAS), and the Bellaire Public Library. These organizations are presented in Notes 18 and 19.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bellaire Local 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 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 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 two categories of funds: governmental and fiduciary.

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

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

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

Classroom Facilities Maintenance Special Revenue Fund - The Classroom Facilities Maintenance Fund is used to account for a .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.

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. 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's only trust fund is a private purpose trust 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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

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. 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.

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, 2006, but which were levied to finance fiscal year 2007 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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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".

During fiscal year 2006, investments were limited to non-negotiable certificates of deposit, negotiable certificates of deposit, Federal Farm Credit Bank Bonds, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds and repurchase agreements. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price.

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 2006 amounted to \$31,191 which includes \$22,823 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

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. Restricted assets in the general fund represent unexpended resources restricted for the purchase of buses.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	20-50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 Years
Textbooks	6 Years

J. Interfund Balances

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

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

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and bus purchase.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for bus purchase is for state funds required to be utilized for the purchase of school buses.

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. The government-wide statement of net assets reports \$2,484,033 of restricted net assets. Of the restricted net assets, none has resulted from enabling legislation.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 functions and objects in all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE

Change in Accounting Principles – For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

GASB Statement No. 47 establishes accounting standards for termination benefits. See Note 17 for disclosure of special termination benefits payable.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 2006, the following funds had deficit fund balances:

	Deficit Fund Balance
General Fund	\$646,429
<u>Other Governmental Funds:</u>	
Food Service Special Revenue Fund	378,010
Poverty Based Assistance Special Revenue Fund	112,196

The deficit in the General Fund was created by the application of generally accepted accounting principles. The primary cause of the deficit balance is liabilities for accrued wages, benefits, and intergovernmental payables as well as advances to cover the food service fund cash deficit.

The Food Service Special Revenue Fund deficit balance is due in part to a deficit cash balance and failure to adequately fund this program, as well as the application of generally accepted accounting principles. The School District approved a closed lunch for the 9th graders, offered new menu items, and installed the point of sale system to increase revenue for the food service program. This fund generally receives transfers from the General Fund when cash is needed rather than when accruals occur.

The deficit in the Poverty Based Assistance Special Revenue Fund was created by the application of generally accepted accounting principles. This fund generally receives transfers from the General Fund when cash is needed rather than when accruals occur.

B. Compliance

At June 30, 2006, the following fund's appropriations exceeded estimated revenue plus unencumbered balances:

Fund	Estimated Resources	Appropriations	Variance
Food Service	\$699,642	\$1,004,298	(\$304,656)

This is caused primarily by the negative cash fund balance that was carried forward from prior years. The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is 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 as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Adjustments to record investments at market value are reported on the balance sheet (GAAP basis), but not on the budget basis.

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

Net Change in Fund Balance		
	General	Classroom Facilities Maintenance
GAAP Basis	(\$248,193)	\$728,853
Revenue Accruals	138,043	(268)
Investment Adjustment	0	8,531
Expenditure Accruals	163,260	(5,351)
Advances Out	(722)	0
Encumbrances	<u>(174,322)</u>	<u>(18,165)</u>
Budget Basis	<u><u>(\$121,934)</u></u>	<u><u>\$713,600</u></u>

NOTE 6 - CASH AND CASH EQUIVALENTS

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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

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, \$620,385 of the School District's bank balance of \$1,576,897 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial credit 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Investments

As of June 30, 2006, the School District had the following investments, all of which are part of the internal investment pool:

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Federal Farm Credit Bank Bonds	\$99,250	10/16/2006	7.05%	AAA	S&P
Federal Home Loan Bank Bonds	99,250	11/24/2006	7.05%	AAA	S&P
Federal Home Loan Bank Bonds	97,500	1/27/2010	6.92%	AAA	S&P
Federal National Mortgage Association Bonds	52,903	9/17/2008	3.76%	AAA	S&P
Grange Bank Columbus Negotiable CD	96,948	12/11/2006	6.89%	N/A	N/A
Peoples Bank NA Marietta Negotiable CD	95,245	9/10/2007	6.76%	N/A	N/A
Repurchase Agreement	<u>867,000</u>	7/1/2006	<u>61.57%</u>	N/A	N/A
Totals	<u><u>\$1,408,096</u></u>		<u><u>100.00%</u></u>		

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 credit ratings for the School District's securities are listed above. 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 Federal Farm Credit Bank Bonds, the Federal Home Loan Bank Bonds, the Federal National Mortgage Association Bonds, and the negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District's policy provides that investments of the School 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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, 2006 was \$132,095 in the General Fund, \$22,332 in the Debt Service Fund, \$13,888 in the Permanent Improvement Capital Projects Fund, and \$3,103 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2005, was \$124,327 in the General Fund, \$20,746 in the Debt Service Fund, \$13,329 in the Permanent Improvement Capital Projects Fund, and \$2,832 in the Classroom Facilities Special Revenue Fund.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$82,867,620	83.91%	\$83,340,890	84.87%
Public Utility Personal	10,769,010	10.91%	10,661,270	10.86%
General Business Property	5,117,362	5.18%	4,196,400	4.27%
	\$98,753,992	100.00%	\$98,198,560	100.00%
Tax Rate per \$1,000 of assessed valuation		\$34.50		\$34.50

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes, interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$416,454 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Excess Costs	\$140,000
Title I	154,218
IDEA Part B	15,601
Title V	2,829
Drug Free Schools	1,394
 Total Intergovernmental Receivables	 \$314,042

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Non-Depreciating Capital Assets:				
Land	\$732,299	\$0	\$0	\$732,299
Depreciating Capital Assets:				
Land Improvements	1,346,495	14,320	0	1,360,815
Buildings and Improvements	28,215,689	12,854	0	28,228,543
Furniture and Equipment	859,475	0	0	859,475
Vehicles	1,488,064	26,500	0	1,514,564
Textbooks	763,419	0	0	763,419
Total Depreciable Capital Assets	32,673,142	53,674	0	32,726,816
Accumulated Depreciation:				
Land Improvements	(334,957)	(67,380)	0	(402,337)
Buildings and Improvements	(5,802,218)	(833,056)	0	(6,635,274)
Furniture and Equipment	(381,988)	(81,184)	0	(463,172)
Vehicles	(1,088,331)	(88,603)	0	(1,176,934)
Textbooks	(572,566)	(127,237)	0	(699,803)
Total Accumulated Depreciation	(8,180,060)	(1,197,460)	0	(9,377,520)
Total Depreciable Capital Assets, Net	24,493,082	(1,143,786)	0	23,349,296
Governmental Capital Assets, Net	\$25,225,381	(\$1,143,786)	\$0	\$24,081,595

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$960,776
Special	2,616
Support Services:	
Instructional Staff	79,221
Board of Education	3,958
Administration	15,724
Operation and Maintenance of Plant	9,358
Pupil Transportation	84,618
Central	1,383
Food Service Operations	17,239
Extracurricular Activities	22,567
Total Depreciation Expense	\$1,197,460

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 2006 the School District contracted with Indiana Insurance for property and inland marine coverage, and for fleet insurance and liability insurance. Flood insurance was provided by the National Flood Insurance. Indiana Insurance Coverage's provided by Pilney-Foster Insurance Agency of Ohio are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$38,341,801
Automotive Liability (\$500 deductible)	1,000,000
Uninsured Motorist (\$500 deductible)	1,000,000
<i>General Liability:</i>	
Each Occurance	1,000,000
Aggregated Limit	2,000,000
Personal and Advertising Injury Limit - Each Occurance:	1,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurance	1,000,000
Aggregated Limit	1,000,000
Innocent Party Aggregate	300,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurance	1,000,000
Aggregated Limit	1,000,000
Defense Aggregate	100,000
<i>Employee Benefits Liability:</i>	
Each Occurance	1,000,000
Aggregated Limit	3,000,000
<i>Employer's Liability:</i>	
Each Occurance	1,000,000
Aggregated Limit	2,000,000
Disease - Each Employee	1,000,000
<i>Umbrella Liability:</i>	
Each Occurance	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

The School District pays the State a rate per \$100 of salaries for workers' compensation. The School District contracts with Gates McDonald to provide administrative assistance for workers compensation.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Other Employee Benefits

Dental insurance is offered to employees through a self-insurance program. The School District contracts with a third party administrator to handle stop-loss coverage. The School District reports the program in the general fund. The claims liability of \$9,321 reported in the General Fund at June 30, 2006 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.

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>
2005	\$7,815	\$104,498	\$106,715	\$5,598
2006	5,598	130,672	126,949	9,321

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$201,933, \$231,059, and \$160,020, respectively; 54.05 percent has been contributed for fiscal year 2006, 100 percent for the fiscal years 2005 and 2006.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$845,778, \$826,437, and \$783,659, respectively; 81.49 percent has been contributed for fiscal year 2006, 83.15 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$6,139 made by the School District and \$9,347 made by the plan members.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included

Bellaire Local School District
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For the Fiscal Year Ended June 30, 2006

in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$62,715 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006, the School District paid \$96,026 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

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 250 to 270 days for all employees. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 87.50 days for classified employees and 94.5 days for certified employees.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

B. Other Insurance Benefits

The School District contracts with a local health management organization, The Health Plan for hospitalization, prescription and major medical insurance for all employees. The School District pays monthly premiums of up to \$989.64 for family coverage and up to \$390.85 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

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 Met Life Insurance to provide this benefit. The School District provides vision insurance through Vision Service Plan at a cost of \$12.76 per month.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District has entered into capitalized leases for copying equipment. The lease for copying equipment that was approved in fiscal year 2005 included an amount for the early retirement of the existing capital lease, and the existing equipment was taken on trade as part of the terms of the new lease agreement. Therefore, capitalized copying equipment is less than the amount of the outstanding capital lease liability in the amount of the difference between the book value of the traded assets and the amount received for retirement of the existing lease.

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 \$125,130, which is equal to the present value of the minimum lease payments, net of the difference between the book value of the traded assets and the amount received for retirement of the existing lease, at the of acquisition. A corresponding liability, net of the difference between the book value of the traded assets and the amount received for retirement of the existing lease, 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 \$100,104. Principal payments in fiscal year 2006 totaled \$47,374, in the governmental funds.

Future minimum lease payments through 2010 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$52,595	\$18,362
2008	58,391	12,567
2009	64,827	6,131
2010	22,719	496
Total	<u>\$198,532</u>	<u>\$37,556</u>

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/05	Amounts Due In One Year
<u>General Obligation Bonds:</u>					
2000 School Facilities Bonds					
Term Bonds \$1,405,000 @ 6.0 %	\$1,405,000	\$0	\$0	\$1,405,000	\$0
Serial Bonds \$2,633,000 @ 4.2% to 5.8 %	2,085,000	\$0	125,000	1,960,000	145,000
Total General Obligation Bonds	3,490,000	0	125,000	3,365,000	145,000
Capital Leases	245,906	0	47,374	198,532	52,595
Compensated Absences	1,587,209	176,784	18,734	1,745,259	125,591
Total General Long-Term Obligations	\$5,323,115	\$176,784	\$191,108	\$5,308,791	\$323,186

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. Annual principal and interest requirements are being paid from the proceeds of a bond levy in 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.

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

Year	Principal Amount
2017	\$250,000
2018	265,000
2019	280,000
2020	295,000

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Redemption Dates (inclusive)	Redemption Prices
December 1, 2009 through November 30, 2010	101%
December 1, 2010 and thereafter	100%

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30	Term Bonds		Serial Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$0	\$84,300	\$145,000	\$111,108	\$145,000	\$195,408
2008	0	84,300	130,000	104,168	130,000	188,468
2009	0	84,300	145,000	97,119	145,000	181,419
2010	0	84,300	155,000	89,316	155,000	173,616
2011	0	84,300	165,000	80,050	165,000	164,350
2012-2016	0	421,500	985,000	225,753	985,000	647,253
2017-2021	1,090,000	295,200	235,000	6,815	1,325,000	302,015
2022-2024	315,000	9,450	0	0	315,000	9,450
Total	\$1,405,000	\$1,147,650	\$1,960,000	\$714,329	\$3,365,000	\$1,861,979

Capital leases will be paid from the General Fund and the Miscellaneous Federal Grant Special Revenue Fund. Compensated absences will be paid from the General Fund and the Food Service Special Revenue Fund.

The School District's overall legal debt margin was \$5,273,480, with an unvoted debt margin of \$92,270, at June 30, 2006.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 16 – INTERNAL BALANCES

Interfund balances at June 30, 2006 consist of the following individual interfund receivables and payables:

	Interfund Receivable		
		Other Nonmajor	
<u>Interfund Payable</u>	General Fund	Governmental	Total
Other Nonmajor Governmental	\$303,303	\$556	\$303,859

The loan to the Food Service Special Revenue Fund was made to support the cafeteria program. The School District approved a closed lunch for the 9th graders, offered new menu items, and installed the point of sale system to increase revenue for the food service program.

The loan to the Miscellaneous Federal Grants Special Revenue Fund was made to support the programs until the federal grant monies are received.

Interfund transfers for the year ended June 30, 2006 consisted of the following:

	Transfers to
	Classroom Facilities Maintenance
<u>Transfers from</u>	
Other Governmental Funds	\$704,191

The transfer to the Classroom Facilities Maintenance Fund was to close the Project Construction Fund balance in accordance with Ohio School Facilities Commission project guidelines.

NOTE 17 – SPECIAL TERMINATION BENEFITS PAYABLE

Bellaire Local School District offered a one-time only special termination benefit incentive at the end of the 2005-2006 school year. Certified Employees with thirty or more years of service who opted to retire by the April 7, 2006 deadline were offered a sum of \$15,000. Four teachers participated at a total cost to the District of \$60,000. The School District will pay the first \$30,000 in July 2006. The remaining \$30,000 will be paid in January 2007.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2006, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, 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, 2006

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2006, the total amount paid to OME-RESA from the School District was \$52,509. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

East Central Ohio Special Education Regional Resource Center - The East Central Ohio Special Education Regional Resource Center (ECO SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in East Central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. Financial information can be obtained by contacting Julie A. Lynch, who serves as Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

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 \$345 for fiscal year 2006.

NOTE 19 – RELATED ORGANIZATION

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2005	\$58,271	\$0
Current Year Set-aside Requirement	185,418	185,418
Current Year Offsets	0	(286,978)
Qualifying Disbursements	<u>(259,343)</u>	<u>0</u>
Totals	<u>(\$15,654)</u>	<u>(\$101,560)</u>
Allowable Carry Forward at June 30, 2005	0	(3,327,151)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$15,654)</u>	<u>(\$3,327,151)</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$0</u>	<u>\$0</u>

The School District has qualifying disbursements during the fiscal that reduced the textbook set-aside below zero. This extra amount may be used to reduce the set-aside requirement of future years. The School District also had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance set-aside, which may not be carried forward to future years. In addition, the School District had prior year capital expenditures from debt proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 21 – 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, 2006.

B. Litigation

Currently, the School District is not party to any legal proceedings.

NOTE 22 – SUBSEQUENT EVENT

The Board of Education approved a new two year negotiated agreement with OAPSE # 250 Classified Union on October 9, 2006.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$0	\$40,433	\$0	\$40,433
Nutrition Cluster: School Breakfast Program	043570-05PU-2005/2006	10.553	139,395		139,395	
National School Lunch Program	043570-LLP4-2005/2006	10.555	<u>299,683</u>		<u>299,683</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>439,078</u>	<u>40,433</u>	<u>439,078</u>	<u>40,433</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	043570-C1S1/C1SK-2005/2006	84.010	856,181		759,526	
Special Education_Grants to States	043570-6BSF-2005/2006	84.027	515,937		555,694	
Safe and Drug-Free Schools and Communities_State Grants	043570-DRS1-2006	84.186	16,489		14,462	
Twenty-First Century Community Learning Centers	043570-T1S1-2005/2006	84.287	453,190		423,416	
State Grants for Innovative Programs	043570-C2S1-2005/2006	84.298	3,432		5,551	
Education Technology State Grants	043570-TJS1-2005/2006	84.318	19,662		12,904	
Improving Teacher Quality State Grants	043570-TRS1/TRSA-2005/2006	84.367	254,916		218,460	
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>						
High Risk Youth Transitions and STARS Project	N/A	84.186B	<u>90,000</u>		<u>90,000</u>	
Total U.S. Department of Education			<u>2,209,807</u>	<u>0</u>	<u>2,080,013</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>						
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	N/A	93.243	72,992		70,695	
<i>Passed Through Ohio Department of Mental Retardation & Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	1,034		1,034	
Medical Assistance Program	N/A	93.778	<u>76,698</u>		<u>76,698</u>	
Total U.S. Department of Health and Human Services			<u>150,724</u>	<u>0</u>	<u>148,427</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Disaster Grants-Public Assistance	FEMA-1556-DR-013UMGTS	97.036			18,214	
Total U. S. Department of Homeland Security			<u>0</u>	<u>0</u>	<u>18,214</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,799,609</u>	<u>\$40,433</u>	<u>\$2,685,732</u>	<u>\$40,433</u>

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

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D - TRANSFERS

The Ohio Department of Education (ODE) requires School Districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfer due to ODE administrative action:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.010	043570-C1-S1-2005		\$1,358
84.010	043570-C1-S1-2006	\$1,358	
84.027	043570-6B-SF-2005		28,867
84.027	043570-6B-SF-2006	28,867	
84.298	043570-C2-S1-2005		1,760
84.298	043570-C2-S1-2006	1,760	
84.318	043570-TJ-S1-2005		1,149
84.318	043570-TJ-S1-2006	1,149	
84.367	043570-TR-SA-2005		550
84.367	043570-TR-SA-2006	550	
Total		\$33,684	\$33,684



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL 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, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 12, 2007. 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 to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring about whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are disclosed in the accompanying Schedule of Findings as items 2006-001 through 2006-003. In a separate letter to the School District's management dated January 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

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Bellaire Local School District
Belmont County
Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required By *Government Audit Standards*
Page 2

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 12, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 apply to each of its major federal programs for the year ended June 30, 2006. 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 express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could 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.

Bellaire Local School District
Belmont County

Independent Accountants' Report on Compliance with Requirements Applicable to Each Major
Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
Page 2

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 12, 2007

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster - School Breakfast Program, CFDA # 10.553, and National School Lunch Program, CFDA # 10.555 ; Twenty-First Century Community Learning Centers, CFDA # 84.287
(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 SECTION .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund. The Board of Education is required to adopt regulations governing the establishment and maintenance of such funds, including a system of accounting to separate and verify each transaction and to show the sources from which the fund revenue is received, the amount collected from each source, and the amount expended for each purpose. Expenditures from such funds are subject to the approval of the Board of Education. According to the *Guidelines for Developing Policies for Student Activity Programs*, developed by the Auditor of State in compliance with the Ohio Administrative Code, the duties and responsibilities of the advisors/sponsors are at the direction of the Board of Education and should consist of, among others, supervising the activities of the activity group, including preparation of fund raising potentials, proofs of cash, and other appropriate documentation.

The 8th and 9th Grade Cheerleaders Student Activity Program, of which Courtney L. Wiggins was the Advisor, was obligated to pay fees into the District Treasurer's office for the cost of shoes and a cheerleading camp during the school year. A portion of the fees paid by the students was deposited with the District's Fiscal Assistant; however, several receipts written by Miss Wiggins for fees paid to her by various students (such fees totaled \$1,800) were not turned in to the District's Fiscal Assistant and the fees were not subsequently deposited into the District's treasury.

On March 26, 2007, Tara Boyer issued a check to the Bellaire Local School District for \$1,800 as repayment. We will consider this a finding for recovery repaid under audit.

Officials' Response

In a letter dated January 9, 2007, Ms. Boyer's legal counsel, Frank Fregiato, stated that, "... [A]n unidentified individual, selected by Ms. Wiggins, ... delivered an open duffle bag to the school board and left it at the administrative offices with no explanation as to its content and no attempt to obtain a receipt or to account for any types of funds, cash or otherwise." Mr. Fregiato requested that because of this alleged incident, the Auditor of State change the factual allegation in the proposed finding that states "paid fees into the District Treasurer's Office." He indicated that his request is a result of his belief that these funds were in fact not left at the office.

Ms. Boyer's legal counsel also requested that the Auditor of State make no finding against Treasurer Boyer in her personal or professional capacity. In his January 9 letter he stated that, "Neither the Treasurer in her personal or professional capacity... had absolutely any control over what was contained in the subject open unaccounted for duffle bag left at the offices unattended by a third party. The Treasurer had absolutely no knowledge of the same, nor ability to control the same. In fact, any such assessment of responsibility to the Treasurer in either her professional or personal capacity would set a precedent that such a treasurer would be responsible for every illegitimate activity of any kind or nature in the district over which he or she has absolutely no control."

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Finding for Recovery Repaid Under Audit – Ohio Rev. Code Section 3315.062(B) (Continued)

Auditor of State’s Analysis

Although we respectfully disagree with Mr. Fregiato’s assertion regarding the funds in question, we have modified the allegation in dispute to read: “was obligated to pay fees into the District Treasurer’s office.”

However, we respectfully declined Mr. Fregiato’s request to remove Ms. Boyer from the Finding for Recovery. Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., (1929) 120 Ohio St. 47; 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, (1985) 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 1980 Op. Atty Gen. No. 80-074.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund may only be used for the purpose for which the fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following fund reflected negative cash fund balances as noted:

As Of Date	Food Service Fund
June 30, 2006	\$302,582
March 31, 2006	\$360,738
December 31, 2005	\$459,417
September 31, 2005	\$407,731

We recommend the School District Treasurer monitor fund balances to properly ensure that monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the School District may be able to advance money from other funds. The School District can refer to Auditor of State Bulletin 97-003 to determine if an advance of funds to prevent a deficit cash balance would be appropriate.

Officials’ Response

The Bellaire Schools Food Service account has been carrying a deficit balance for the last several years. The School District has been and continues to work on cutbacks as well as additional revenue from changes in the meal program. The Board of Education agrees that we not transfer funds from the General Fund, so as not to confuse General Fund monies with Food Service monies.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides, in part, that appropriations from each fund shall not exceed the estimated revenue available for expenditure therefrom, as certified by the County Budget Commission.

As of June 30, 2006, appropriations exceeded estimated revenue in the following fund:

Fund	Estimated Resources	Appropriations	Variance
Food Service	\$699,642	\$1,004,298	(\$304,656)

This situation may lead to disbursements within said fund exceeding the actual revenues available.

We recommend the School District Board and the School District Treasurer 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

The Food Service Fund carries a deficit balance and has for several years. There is not sufficient revenue to meet expenditures. The Board of Education does not want to transfer General Fund monies to meet appropriations. The funds cannot be certified and appropriated unless the transfer is made.

3. FINDINGS FOR FEDERAL AWARDS

None.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .315(b)
JUNE 30, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> : <i>Explain:</i>
2005-001	Finding for Recovery – Overpayment of salary.	Yes	N/A.
2005-002	Ohio Rev. Code Section 135.18, the School District's deposits exceeded Federal Deposit Insurance coverage and no pledged collateral was obtained.	Yes	N/A.
2005-003	Ohio Rev. Code Section 5705.10, some School District funds reflected negative cash fund balances.	No	Not corrected; Reissued as Finding No. 2006-002.
2005-004	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated revenue in the Food Service Fund.	No	Not corrected; Reissued as Finding No. 2006-003.



Mary Taylor, CPA
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
APRIL 10, 2007**