



Mary Taylor, CPA  
Auditor of State



**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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**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 34<sup>th</sup> Street  
Bellaire, Ohio 43906

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General and Classroom Facilities Maintenance Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in Note 22 to the financial statements, the School District has suffered recurring losses from operations and has a net asset deficiency that raise substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Rev. Code. Note 22 and Note 23 to the financial statements describe the events that led to the Fiscal Emergency declaration. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2010, 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 Federal Awards Receipts and Expenditures Schedule 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 Federal Awards Receipts and Expenditures Schedule 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 15, 2010

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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The discussion and analysis of the Bellaire Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

- Net assets decreased \$2,598,893.
- General revenues accounted for \$10,768,656 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 \$6,280,382 or 37 percent of total revenues of \$17,049,038.
- Total assets of governmental activities decreased by \$2,429,548 primarily due to depreciation expense of capital assets and decreases in equity in pooled cash and cash equivalents.
- The School District had \$19,647,931 in expenses related to governmental activities; only \$6,280,382 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$10,768,656 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 \$11,879,866 in revenues and \$13,635,145 in expenditures. The General Fund's balance decreased \$1,755,279. The Debt Service Fund had revenues in the amount of \$388,010 and total expenditures in the amount of \$324,701 overall, including other financing sources and uses, fund balance increased \$108,798. The Classroom Facilities Maintenance Fund had revenue in the amount of \$120,962 and total expenditures in the amount of \$61,941 that resulted in a fund balance increase of \$59,021.

**Using this Annual Financial Report**

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

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

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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***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 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

*Fund Financial Statements*

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

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



**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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**Reporting the District's Fiduciary Responsibilities**

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

**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 2009 compared to 2008.

Table 1  
Net Assets

	Government Activities		Change
	2009	2008	
<b>Assets</b>			
Current and Other Assets	\$4,662,183	\$6,122,754	(\$1,460,571)
Capital Assets	21,873,238	22,842,215	(968,977)
<b>Total Assets</b>	<b>26,535,421</b>	<b>28,964,969</b>	<b>(2,429,548)</b>
<b>Liabilities</b>			
Long-Term Liabilities	4,847,434	4,907,324	(59,890)
Other Liabilities	5,041,131	4,811,896	229,235
<b>Total Liabilities</b>	<b>9,888,565</b>	<b>9,719,220</b>	<b>169,345</b>
<b>Net Assets</b>			
Invested in Capital Assets Net of Debt	18,905,519	19,664,669	(759,150)
Restricted	2,906,485	2,531,883	374,602
Unrestricted (Deficit)	(5,165,148)	(2,950,803)	(2,214,345)
<b>Total Net Assets</b>	<b>\$16,646,856</b>	<b>\$19,245,749</b>	<b>(\$2,598,893)</b>

Total current and other assets decreased \$2,429,548 primarily due to depreciation expense of capital assets and decreases in equity in pooled cash and cash equivalents.

Total net assets of the School District's governmental activities decreased \$2,598,893. The unrestricted (deficit) net assets decreased by \$2,214,345 due to expenses exceeding revenues. Invested in capital assets, net of debt decreased by \$759,150 due primarily to annual depreciation expense.

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

Table 2  
Changes in Net Assets

	Governmental Activities		Change
	2009	2008	
<b>Revenues</b>			
<i>Program Revenue</i>			
Charges for Services and Sales	\$1,545,570	\$1,420,942	\$124,628
Operating Grants and Contributions	4,693,494	4,123,388	570,106
Capital Grants and Contributions	41,318	26,449	14,869
<b>Total Program Revenue</b>	<b>6,280,382</b>	<b>5,570,779</b>	<b>709,603</b>
<i>General Revenue</i>			
Property Taxes	2,613,072	2,576,300	36,772
Grants and Entitlements	8,070,282	8,191,765	(121,483)
Gifts and Donations	1,500	1,000	500
Investment Earnings	50,060	96,060	(46,000)
Miscellaneous	33,742	88,509	(54,767)
<b>Total General Revenue</b>	<b>10,768,656</b>	<b>10,953,634</b>	<b>(184,978)</b>
<b>Total Revenues</b>	<b>17,049,038</b>	<b>16,524,413</b>	<b>524,625</b>
<b>Program Expenses</b>			
<i>Instruction:</i>			
Regular	8,554,307	8,346,607	207,700
Special	2,212,547	2,100,238	112,309
Vocational	131,471	168,320	(36,849)
Student Intervention Services	701,730	0	701,730
<i>Support Services:</i>			
Pupil	1,422,623	1,154,547	268,076
Instructional Staff	177,279	171,060	6,219
Board of Education	28,104	28,839	(735)
Administration	1,467,538	1,401,683	65,855
Fiscal	410,822	347,905	62,917
Operation and Maintenance of Plant	1,687,496	1,223,280	464,216
Pupil Transportation	1,237,647	1,126,055	111,592
Central	979	1,046	(67)
Operation of Non-Instructional Services	198,337	271,335	(72,998)
Food Service Operations	919,194	768,318	150,876
Extracurricular Activities	371,303	341,028	30,275
Interest and Fiscal Charges	126,554	200,483	(73,929)
<b>Total Expenses</b>	<b>19,647,931</b>	<b>17,650,744</b>	<b>1,997,187</b>
Change in Net Assets	(2,598,893)	(1,126,331)	(1,472,562)
Net Assets Beginning of Year	19,245,749	20,372,080	(1,126,331)
Net Assets End of Year	\$16,646,856	\$19,245,749	(\$2,598,893)

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**Governmental Activities**

Property taxes made up approximately 15 percent of revenues for the School District in fiscal year 2009, this revenue source increased slightly from fiscal year 2008 primarily due to very little growth in tax valuations which was offset by the loss of personal property tax revenue. Operating grants program revenue increased \$570,106 primarily due to a new River School Initiatives Grant.

Instruction comprises approximately 59 percent of governmental program expenses, an increase of \$984,890 from fiscal year 2008. Overall, program expenses of the School District increased by \$1,997,187, due to increased program costs.

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 2009 compared to fiscal year 2008. 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	
	2009	2008	2009	2008
Instruction:				
Regular	\$8,554,307	\$8,346,607	\$7,308,031	\$6,480,944
Special	2,212,547	2,100,238	353,681	355,771
Vocational	131,471	168,320	106,313	147,706
Student Intervention Services	701,730	0	(25,959)	0
Support Services				
Pupils	1,422,623	1,154,547	553,699	641,348
Instructional Staff	177,279	171,060	27,118	69,585
Board of Education	28,104	28,839	28,104	28,839
Administration	1,467,538	1,401,683	1,382,815	1,302,234
Fiscal	410,822	347,905	353,358	346,833
Operation and Maintenance of Plant	1,687,496	1,223,280	1,545,158	1,220,916
Pupil Transportation	1,237,647	1,126,055	1,208,975	1,111,400
Central	979	1,046	979	1,046
Operation of Non-Instructional Services	198,337	271,335	56,677	33,435
Food Service Operations	919,194	768,318	202,132	32,014
Extracurricular Activities	371,303	341,028	139,914	107,411
Interest and Fiscal Charges	126,554	200,483	126,554	200,483
Total Expenses	<u>\$19,647,931</u>	<u>\$17,650,744</u>	<u>\$13,367,549</u>	<u>\$12,079,965</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 68 percent of expenses are supported through taxes and other general revenues.

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. Total Governmental Funds had \$16,603,260 in revenues and \$18,420,277 in expenditures. The net change in governmental fund balances, including other financing sources and uses was a decrease of \$1,771,528.

**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 funds are the General Fund and the Classroom Facilities Major Special Revenue Fund.

During the course of fiscal 2009 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. There were significant changes between the original and final resources and the original and final appropriations of the General Fund due to overestimated revenues and underestimated costs. There were no significant changes between final appropriations and actual expenditures.

***Capital Assets and Debt Administration***

***Capital Assets***

At the end of fiscal 2009 the School District had \$21,873,238 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2009 balances compared to 2008:

Table 4  
 Capital Assets Net of Depreciation

	Government Activities	
	2009	2008
Land	\$718,812	\$718,812
Land Improvements	791,727	852,789
Buildings and Improvements	19,381,200	20,115,192
Furniture and Equipment	759,659	865,049
Vehicles	221,840	290,373
Totals	\$21,873,238	\$22,842,215

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, 2009*  
*Unaudited*

**Debt**

At June 30, 2009 the School District had \$2,990,489 outstanding in general obligation bonds and \$22,719 in capital leases outstanding.

Table 5 summarizes bonds and capital leases outstanding:

Table 5  
Outstanding Debt at Year End

	Government Activities	
	2009	2008
<i>2000 School Facilities Bonds</i>		
Term Bonds	\$0	\$1,405,000
Serial Bonds	1,085,000	1,685,000
<i>2009 School Improvement Refunding Bonds</i>		
Term Bonds	215,000	0
Serial Bonds	1,395,000	0
Capital Appreciation Bonds	249,996	0
Premium	169,073	0
Refunding Difference	(123,580)	0
Total General Obligation Bonds	<u>2,990,489</u>	<u>3,090,000</u>
Capital Leases	<u>22,719</u>	<u>87,546</u>
Total	<u><u>\$3,013,208</u></u>	<u><u>\$3,177,546</u></u>

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 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 continues to improve on the state report card by meeting additional indicators. The School District works as a unit to financially maintain the resources to fulfill this statement. Approximately 60% of the School District's students are economically disadvantaged and 25% are identified as students with disabilities. The School District is eligible and aggressive in pursuing state and federal monies as sources of added revenue.

The School District relies heavily on state foundation funding and property taxes. Changes in school foundation formulas, very little growth in tax valuations and loss of personal property tax revenue have held revenue growth to a minimum. The School 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, re-employing retired staff at lower paid salaries. The School District continues to implement 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, 2009*  
*Unaudited*

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Effective April 24, 2009, the Ohio Department of Education declared the School District to be in a state of Fiscal Caution in accordance with Revised Code Section 3316.031. The declaration was based on an anticipated deficit for fiscal year 2009 and future years.

Section 3316.031(C) of the Revised Code requires that the Board of Education provide a written proposal to the Ohio Department of Education for correcting the budgetary conditions that prompted the declaration and for preventing the School District from experiencing further difficulties. Upon a determination by the Ohio Department of Education that the School District did not submit an acceptable proposal, the Ohio Auditor of State declared the School District to be in fiscal watch on September 10, 2009.

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance and deficit unreserved fund balance in fiscal years 2010 through 2014. The School District is required to submit a financial plan to the Ohio Department of Education by December 10, 2009.

**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 34<sup>th</sup> Street, Bellaire, Ohio 43906.

**Bellaire Local School District**

*Statement of Net Assets*

June 30, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$388,566
Accrued Interest Receivable	1,850
Intergovernmental Receivable	871,095
Investments	306,759
Prepaid Items	40,844
Materials and Supplies Inventory	74,670
Property Taxes Receivable	2,932,910
Deferred Charges	45,489
Non-Depreciable Capital Assets	718,812
Depreciable Capital Assets, Net	<u>21,154,426</u>
Total Assets	<u>26,535,421</u>
<b>Liabilities</b>	
Accounts Payable	119,961
Accrued Wages and Benefits Payable	1,721,002
Intergovernmental Payable	512,484
Matured Severance Payable	35,552
Vacation Benefits Payable	85,387
Accrued Interest Payable	9,668
Claims Payable	374,945
Deferred Revenue	2,182,132
Long-Term Liabilities:	
Due Within One Year	332,146
Due In More Than One Year	<u>4,515,288</u>
Total Liabilities	<u>9,888,565</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	18,905,519
Restricted for:	
Capital Projects	156,132
Debt Service	577,788
Classroom Facilities Maintenance	1,142,302
State Grants	442,706
Federal Grants	446,157
Bus Purchase	55,526
Other Purposes	85,874
Unrestricted (Deficit)	<u>(5,165,148)</u>
Total Net Assets	<u><u>\$16,646,856</u></u>

See accompanying notes to the basic financial statements.

**Bellaire Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	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
<b>Governmental Activities</b>					
Instruction:					
Regular	\$8,554,307	\$910,548	\$335,728	\$0	(\$7,308,031)
Special	2,212,547	0	1,858,866	0	(353,681)
Vocational	131,471	0	25,158	0	(106,313)
Student Intervention Services	701,730		727,689	0	25,959
Support Services:					
Pupil	1,422,623	163,514	690,470	14,940	(553,699)
Instructional Staff	177,279	0	150,161	0	(27,118)
Board of Education	28,104	0	0	0	(28,104)
Administration	1,467,538	0	84,723	0	(1,382,815)
Fiscal	410,822	0	57,464	0	(353,358)
Operation and Maintenance of Plant	1,687,496	0	142,338	0	(1,545,158)
Pupil Transportation	1,237,647	0	2,294	26,378	(1,208,975)
Central	979	0	0	0	(979)
Operation of Non-Instructional Services	198,337	0	141,660	0	(56,677)
Food Service Operations	919,194	240,119	476,943	0	(202,132)
Extracurricular Activities	371,303	231,389	0	0	(139,914)
Interest and Fiscal Charges	126,554	0	0	0	(126,554)
<i>Total Governmental Activities</i>	<u>\$19,647,931</u>	<u>\$1,545,570</u>	<u>\$4,693,494</u>	<u>\$41,318</u>	<u>(13,367,549)</u>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					2,035,918
Property Taxes Levied for Capital Outlay					195,890
Property Taxes Levied for Debt Service					339,895
Property Taxes Levied for Classroom Facilities Maintenance					41,369
Grants and Entitlements not Restricted to Specific Programs					8,070,282
Gifts and Donations					1,500
Investment Earnings					50,060
Miscellaneous					33,742
<i>Total General Revenues</i>					<u>10,768,656</u>
Change in Net Assets					(2,598,893)
<i>Net Assets Beginning of Year</i>					<u>19,245,749</u>
<i>Net Assets End of Year</i>					<u>\$16,646,856</u>

See accompanying notes to the basic financial statements.



**Bellaire Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2009*

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,003	\$2,011	\$251,020	\$254,034
Investments	0	0	0	306,759	306,759
Receivables:					
Property Taxes	2,299,124	375,987	41,293	216,506	2,932,910
Intergovernmental	161,460	0	0	709,635	871,095
Interfund	0	485,000	1,150,000	182,825	1,817,825
Accrued Interest	0	0	0	1,850	1,850
Prepaid Items	34,319	0	1,865	4,660	40,844
Materials and Supplies Inventory	61,230	0	0	13,440	74,670
<i>Total Assets</i>	<u>\$2,556,133</u>	<u>\$861,990</u>	<u>\$1,195,169</u>	<u>\$1,686,695</u>	<u>\$6,299,987</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$38,730	\$0	\$23,627	\$57,604	\$119,961
Accrued Wages and Benefits	1,441,460	0	0	279,542	1,721,002
Matured Severance Payable	35,552	0	0	0	35,552
Interfund Payable	1,272,321	0	0	545,504	1,817,825
Intergovernmental Payable	406,800	0	0	105,684	512,484
Deferred Revenue	2,299,792	349,011	38,076	703,594	3,390,473
<i>Total Liabilities</i>	<u>5,494,655</u>	<u>349,011</u>	<u>61,703</u>	<u>1,691,928</u>	<u>7,597,297</u>
<b>Fund Balances (Deficit)</b>					
Reserved for Encumbrances	220,051	0	33,650	178,136	431,837
Reserved for Property Taxes	154,754	26,976	3,217	14,645	199,592
Reserved for Bus Purchases	55,562	0	0	0	55,562
Unreserved, Undesignated, Reported in:					
General Fund	(3,368,889)	0	0	0	(3,368,889)
Special Revenue Funds	0	0	1,096,599	(289,287)	807,312
Debt Service Fund	0	486,003	0	0	486,003
Capital Projects Funds	0	0	0	91,273	91,273
<i>Total Fund Balances (Deficit)</i>	<u>(2,938,522)</u>	<u>512,979</u>	<u>1,133,466</u>	<u>(5,233)</u>	<u>(1,297,310)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,556,133</u>	<u>\$861,990</u>	<u>\$1,195,169</u>	<u>\$1,686,695</u>	<u>\$6,299,987</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, 2009*

**Total Governmental Fund Balances** (\$1,297,310)

*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 not reported in the funds. 21,873,238

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

Grants	499,883
Property Taxes	551,186
Tuition and Fees	155,422
Interest	<u>1,850</u>

Total 1,208,341

An internal service fund is used by management to charge the costs of  
insurance to individual funds. The assets and liabilities of the internal service  
fund are included in governmental activities in the statement of net assets. (240,413)

Unamortized issuance costs represent deferred charges which do not provide current  
financial resources and, therefore, are not reported in the funds. 45,489

In the statement of activities, interest is accrued on outstanding general obligation bonds,  
whereas in governmental funds, an interest expenditure is reported when due. (9,668)

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

General Obligation Bonds - Capital Appreciation	249,996
General Obligation Bonds - Serial	2,480,000
General Obligation Bonds - Term	215,000
Premium	169,073
Refunding Difference	(123,580)
Vacation Benefits Payable	85,387
Compensated Absences	1,834,226
Capital Leases	<u>22,719</u>

Total (4,932,821)

*Net Assets of Governmental Activities* \$16,646,856

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, 2009*

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,988,736	\$331,520	\$40,374	\$191,483	\$2,552,113
Intergovernmental	8,999,827	56,490	61,701	3,360,649	12,478,667
Interest	17,812	0	18,887	10,489	47,188
Tuition and Fees	825,265	0	0	55,835	881,100
Extracurricular Activities	0	0	0	231,389	231,389
Rent	2,250	0	0	0	2,250
Contributions and Donations	0	0	0	1,500	1,500
Charges for Services	27,513	0	0	347,798	375,311
Miscellaneous	18,463	0	0	15,279	33,742
<i>Total Revenues</i>	<u>11,879,866</u>	<u>388,010</u>	<u>120,962</u>	<u>4,214,422</u>	<u>16,603,260</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	7,118,414	0	0	294,572	7,412,986
Special	1,224,061	0	0	907,008	2,131,069
Vocational	127,851	0	0	0	127,851
Student Intervention Services	39,476	0	0	662,254	701,730
Support Services:					
Pupil	549,209	0	0	846,722	1,395,931
Instructional Staff	0	0	0	114,664	114,664
Board of Education	23,352	0	0	0	23,352
Administration	1,268,349	0	0	142,814	1,411,163
Fiscal	376,973	8,028	974	5,728	391,703
Operation and Maintenance of Plant	1,590,826	0	60,967	4,271	1,656,064
Pupil Transportation	1,052,912	0	0	6,430	1,059,342
Operation of Non-Instructional Services	0	0	0	195,858	195,858
Food Service Operations	0	0	0	853,533	853,533
Extracurricular Activities	195,317	0	0	139,201	334,518
Capital Outlay	75	0	0	222,807	222,882
Debt Service:					
Principal Retirement	62,385	145,000	0	2,442	209,827
Interest and Fiscal Charges	5,945	126,184	0	186	132,315
Issuance Costs	0	45,489	0	0	45,489
<i>Total Expenditures</i>	<u>13,635,145</u>	<u>324,701</u>	<u>61,941</u>	<u>4,398,490</u>	<u>18,420,277</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,755,279)	63,309	59,021	(184,068)	(1,817,017)
<b>Other Financing Sources (Uses)</b>					
Refunding Bonds Issued	0	1,859,996	0	0	1,859,996
Premium on Refunding Bonds Issued	0	169,073	0	0	169,073
Payment to Refunded Bond Escrow Agent	0	(1,983,580)	0	0	(1,983,580)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>45,489</u>	<u>0</u>	<u>0</u>	<u>45,489</u>
<i>Net Change in Fund Balances</i>	(1,755,279)	108,798	59,021	(184,068)	(1,771,528)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,183,243)</u>	<u>404,181</u>	<u>1,074,445</u>	<u>178,835</u>	<u>474,218</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$2,938,522)</u>	<u>\$512,979</u>	<u>\$1,133,466</u>	<u>(\$5,233)</u>	<u>(\$1,297,310)</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, 2009*

**Net Change in Fund Balances - Total Governmental Funds** (\$1,771,528)

*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 Asset Additions	139,669	
Current Year Depreciation	<u>(1,108,646)</u>	
Total		(968,977)

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

Grants	326,427	
Tuition and Fees	55,520	
Interest	715	
Property Taxes	<u>60,959</u>	
Total		443,621

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

General Obligation Bonds - Serial/Term	145,000	
Capital Leases	<u>64,827</u>	
Total		209,827

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		5,761
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General obligation bonds issued and bond premiums are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.

General Obligation Bonds Issued - Serial/Term	(1,610,000)	
Capital Appreciation Bonds Issued	(249,996)	
Premium on Bonds Issued	<u>(169,073)</u>	
Total		(2,029,069)

Payment to the bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities on the statement of net assets.

1,983,580

Bond issuance costs are debt service expenditures in governmental funds when paid, but are reported as deferred charges assets on the statement of net assets and are allocated as an expense over the life of the outstanding debt on the statement of activities.

45,489

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	1,299	
Compensated Absences	<u>(104,448)</u>	
Total		(103,149)

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

(414,448)

*Change in Net Assets of Governmental Activities* (\$2,598,893)

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, 2009*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,066,624	\$1,932,668	\$1,932,668	\$0
Intergovernmental	9,519,000	9,002,158	9,002,158	0
Interest	0	17,812	17,812	0
Tuition and Fees	876,750	825,265	825,265	0
Rent	0	2,250	2,250	0
Charges for Services	31,313	27,513	27,513	0
Miscellaneous	31,313	10,656	18,456	7,800
<i>Total Revenues</i>	<u>12,525,000</u>	<u>11,818,322</u>	<u>11,826,122</u>	<u>7,800</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,505,766	7,143,057	7,143,057	0
Special	1,188,419	1,208,253	1,208,253	0
Vocational	123,299	101,886	101,886	0
Student Intervention Services	2,962	41,696	41,696	0
Support Services:				
Pupil	495,722	554,768	554,771	(3)
Instructional Staff	487	1,359	1,359	0
Board of Education	280	23,886	23,886	0
Administration	1,175,348	1,272,416	1,272,416	0
Fiscal	370,934	382,600	382,600	0
Operation and Maintenance of Plant	1,523,855	1,700,750	1,700,750	0
Pupil Transportation	1,004,629	1,066,866	1,066,866	0
Extracurricular Activities	123,299	195,923	195,923	0
<i>Total Expenditures</i>	<u>12,515,000</u>	<u>13,693,460</u>	<u>13,693,463</u>	<u>(3)</u>
<i>Net Change in Fund Balance</i>	10,000	(1,875,138)	(1,867,341)	7,797
<i>Fund Balance Beginning of Year</i>	145,834	145,834	145,834	0
Prior Year Encumbrances Appropriated	108,671	108,671	108,671	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$264,505</u>	<u>(\$1,620,633)</u>	<u>(\$1,612,836)</u>	<u>\$7,797</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, 2009*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$33,000	\$39,181	\$39,181	\$0
Intergovernmental	51,500	61,699	61,699	0
Interest	15,500	18,649	18,649	0
<i>Total Revenues</i>	<u>100,000</u>	<u>119,529</u>	<u>119,529</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Support Services:				
Fiscal	2,469	974	974	0
Operation and Maintenance of Plant	97,531	64,607	64,607	0
Capital Outlay	0	30,101	30,101	0
<i>Total Expenditures</i>	<u>100,000</u>	<u>95,682</u>	<u>95,682</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	23,847	23,847	0
<i>Fund Balance Beginning of Year</i>	1,069,762	1,069,762	1,069,762	0
Prior Year Encumbrances Appropriated	1,227	1,227	1,227	0
<i>Fund Balance End of Year</i>	<u><u>\$1,070,989</u></u>	<u><u>\$1,094,836</u></u>	<u><u>\$1,094,836</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2009*

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$134,532
<b>Current Liabilities</b>	
Claims Payable	<u>374,945</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u><u>(\$240,413)</u></u>

See accompanying notes to the basic financial statements.

**Bellaire Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2009*

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$2,613,670</u>
<b>Operating Expenses</b>	
Purchased Services	566,420
Claims	<u>2,463,855</u>
<i>Total Operating Expenses</i>	<u>3,030,275</u>
<i>Operating Loss</i>	(416,605)
<b>Non-Operating Revenues</b>	
Interest	<u>2,157</u>
<i>Change in Net Assets</i>	(414,448)
<i>Net Assets Beginning of Year</i>	<u>174,035</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$240,413)</u></u>

See accompanying notes to the basic financial statements.



**Bellaire Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2009

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$3,022,761
Cash Payments for Services	(566,420)
Cash Payments for Claims	(2,610,116)
	(153,775)
<i>Net Cash Used for Operating Activities</i>	<i>(153,775)</i>
<b>Cash Flows from Investing Activities</b>	
Interest	2,157
	2,157
<i>Net Cash Provided by Investing Activities</i>	<i>2,157</i>
<i>Net Decrease in Cash and Cash Equivalents</i>	(151,618)
<i>Cash and Cash Equivalents Beginning of Year</i>	286,150
<i>Cash and Cash Equivalents End of Year</i>	\$134,532
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$416,605)
Increase in Claims Payable	262,830
	262,830
<i>Net Cash Used for Operating Activities</i>	<i>(\$153,775)</i>

See accompanying notes to the basic financial statements.

**Bellaire Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2009*

	Private Purpose Trust Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$151,140	\$52,154
Investments	255,000	0
Accrued Interest Receivable	6,448	0
<i>Total Assets</i>	412,588	\$52,154
<b>Liabilities</b>		
Due to Students	0	\$45,761
Undistributed Monies	0	6,393
<i>Total Liabilities</i>	0	\$52,154
<b>Net Assets</b>		
Held in Trust for Scholarships	412,588	
<i>Total Net Assets</i>	\$412,588	

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, 2009*

	Private Purpose Trust Fund
<b>Additions</b>	
Contributions and Donations	\$400,000
Interest	7,754
Total Additions	407,754
<b>Deductions</b>	
Scholarships Awarded	200
<i>Change in Net Assets</i>	407,554
<i>Net Assets Beginning of Year</i>	5,034
<i>Net Assets End of Year</i>	\$412,588

See accompanying notes to the basic financial statements.

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**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

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

The School District was established in 1839 when Jacob Davis Jr. became the first school teacher in Bellaire. The first schoolhouse was also erected in 1839. The current district was originally made up of schools in Bellaire, Key, Pultney and other outlying areas and one-room schools. The final consolidation of these districts was in January 1960 when the Key-Pultney District joined the Bellaire District. The Bellaire School District consolidated again in 2001 when seven elementary and middle school buildings were closed and the district moved to two new facilities. Bellaire Elementary School consists of grades kindergarten through fourth; Bellaire Middle School encompasses grades five through eight and Bellaire High School houses grades nine through twelve. The School District encompasses 48 square miles of rolling hills and small communities in Belmont County. The School District’s eastern border is the Ohio River. The School District is staffed by 83 non-certificated employees, 118 full-time teaching personnel and 9 administrative employees who provide services to 1,313 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 bus garage.

On April 24, 2009, the School District was declared to be in a state of “Fiscal Caution” by the Ohio Department of Education. The School District was subsequently declared to be in a state of “Fiscal Watch” and then subsequently declared to be in a state of “Fiscal Emergency”. See Going Concern and Subsequent Event Notes 22 and 23 for further details.

*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 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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is involved with seven organizations; four jointly governed organizations, one insurance purchasing pool, one risk sharing, claims servicing, and insurance purchasing pool, and one related organization. These organizations include the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Educational Regional Service System Region 12 (ERSS), and the Coalition of Rural and Appalachian Schools (CORAS), the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, and the Bellaire Public Library. These organizations are presented in Notes 17, 18, and 19.

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

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

**A. Basis of Presentation**

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

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

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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

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

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

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

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

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

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

***Internal Service Fund*** - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug and dental claims.

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

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*Notes to the Basic Financial Statements*  
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The School District's agency funds account for student activities and assets held by the School District as an agent for outside activities.

**C. Measurement Focus**

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

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

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

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

**D. Basis of Accounting**

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

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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



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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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2009, investments were limited to non-negotiable certificates of deposit, negotiable certificates of deposit, money market mutual funds, and repurchase agreements. The negotiable certificates of deposit and the repurchase agreements, are reported at fair value, which is based on quoted market prices. Money market mutual funds are reported at current share value. Non-negotiable certificates of deposits are reported at cost.

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 2009 amounted to \$17,812 which was assigned from other School District funds.

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

The General Fund, Miscellaneous Federal Grants and Food Service Special Revenue funds, which are reported as Other Nonmajor Governmental Funds, made disbursements in excess of their equity interest in the cash management pool. The amounts of these excesses are reported as interfund payables to the Classroom Facilities Maintenance Special Revenue Fund and Debt Service major funds, and the

**Bellaire Local School District**  
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Miscellaneous State Grant Special Revenue Fund and Permanent Improvement Capital Projects Fund which are reported as Other Nonmajor Governmental Funds.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. The School District did not have enough unrestricted cash in the General Fund at fiscal year end to fully restrict bus purchase requirements. Therefore, no assets were restricted for the purchase of buses.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Capital Assets**

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

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

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

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

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**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

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

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

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

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

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

**M. Bond Premiums, Discounts, Gains/Losses on Refinancing and Issuance Costs**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs and bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

Any difference (gain/loss) on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements issuance costs, bond premiums, and bond discounts are recognized in the current period. The face amount of the debt issue is reported as other financing sources.

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Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**N. Internal Activity**

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

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

**O. 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 purchases.

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.

**P. 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 from local sources restricted to expenditures for student programs. Of the total restricted net assets, none has resulted from enabling legislation.

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

**Q. 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.

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*Notes to the Basic Financial Statements*  
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**R. 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.

**S. 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 PRINCIPLES**

For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The implementation of this statement did not result in any change to the financial statements.

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GASB Statement No. 52 requires endowments, including permanent funds, to report land and other real estate investments at fair value, and to report the changes in fair value as investment income. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The implementation of this statement did not result in any change to the financial statements.

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

At June 30, 2009, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
General Fund	\$2,938,522
<u>Other Governmental Funds:</u>	
Food Service Special Revenue Fund	600,524
Miscellaneous Federal Grants Special Revenue Fund	36,307

The deficits in the General Fund, Miscellaneous Federal Grants and Food Service Special Revenue Funds are due to actual cash deficits in the funds, accrued liabilities, as well as a failure to adequately fund these programs. The cash deficits are reported as payables to other funds. The School District has currently been placed in a state of Fiscal Emergency, see Going Concern and Subsequent Event Notes 22 and 23 for further details.

**B. Legal Compliance**

The General Fund, Miscellaneous Federal Grants and Food Service Special Revenue Funds had appropriations in excess of estimated revenue contrary to section 5705.39, Revised Code, in the amounts of \$1,666,568, \$108,583, and \$517,757, respectively.

The General Fund, Miscellaneous Federal Grants and Food Service Special Revenue Funds had deficit cash balance contrary to section 5705.10, Revised Code, in the amounts of \$1,326,416, \$41,759, and \$503,745, respectively.

A newly formed Financial Planning and Supervision Commission will address these situations through a long-range financial recovery plan.

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The 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. Adjustments to record investments at market value are reported on the balance sheet (GAAP basis), but not on the budget basis.

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

	Net Change in Fund Balance	
	General	Classroom Facilities Maintenance
GAAP Basis	(\$1,755,279)	\$59,021
Revenue Accruals	(53,744)	(965)
Investment Market Value Adjustment	0	(285)
Expenditure Accruals	282,197	23,536
Unrecorded Cash	0	(183)
Encumbrances	(340,515)	(57,277)
Budget Basis	<u>(\$1,867,341)</u>	<u>\$23,847</u>

**NOTE 6 – DEPOSIT AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by

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certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

At June 30, 2009, the School District had a deficit balance of (\$12,790) with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (see Note 18), which is a portion of the School District's internal service fund balance. The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

#### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$358,842 of the School District's bank balance of \$864,040 was exposed to custodial credit risk because



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it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2009, 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
Advantage Bank Cambridge					
Negotiable CD	\$99,677	7/28/2010	23.24%	N/A	N/A
Key Bank National					
Negotiable CD	98,044	10/11/2011	22.86%	N/A	N/A
Mutual Fund	183	N/A	0.04%	**	**
Repurchase Agreement	231,000	7/1/2008	53.86%	N/A	N/A
Totals	\$428,904		100.00%		

\*\* Not available to the School District at June 30, 2009

**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 negotiable certificates of deposit and the mutual fund are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The School District's policy provides that investments of the District shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific

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maturity, a specific issue or a specific class of securities. The percentage of total investments is listed in the table above.

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District 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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008 on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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, 2009, are available to finance fiscal year 2009 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, 2009 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, 2009 was \$154,754 in the General Fund, \$26,976 in the Debt Service Fund, \$14,645 in the Permanent Improvement Capital Projects Fund, and \$3,217 in the

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Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2008, was \$98,686 in the General Fund, \$17,028 in the Debt Service Fund, \$9,206 in the Permanent Improvement Capital Projects Fund, and \$2,024 in the Classroom Facilities Special Revenue Fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$97,686,680	89.44%	\$97,870,260	90.51%
Public Utility Personal	9,952,320	9.11%	10,261,050	9.49%
General Business Property	1,582,230	1.45%	0	0.00%
	\$109,221,230	100.00%	\$108,131,310	100.00%
Tax Rate per \$1,000 of assessed valuation		\$34.50		\$34.50

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2009, consisted of property taxes, interest, interfund and intergovernmental grants and excess costs. 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 \$551,186 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

	Amounts
<b>Governmental Activities</b>	
Excess Costs from Other School Districts	\$155,422
Community Alternative Funding System	6,038
School Lunch Subsidy	773
Temporary Aid to Needy Families	14,449
Project Victory Grant	22,622
Schoolnet Professional Development	2,970
Title I	46,731
IDEA B	42,897
HRY Transition	15,426
Drug Free Schools	10,053
Title II-A-Non-Public	18,377
Title II-D	992
Early Childhood Grant	3,731
River School Initiative Grant	530,614
	<b>\$871,095</b>
 Total Intergovernmental Receivables	 <b>\$871,095</b>

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Non-Depreciating Capital Assets:				
Land	\$718,812	\$0	\$0	\$718,812
Depreciating Capital Assets:				
Land Improvements	1,391,462	9,265	0	1,400,727
Buildings and Improvements	28,428,106	113,302	0	28,541,408
Furniture and Equipment	1,858,302	17,102	0	1,875,404
Vehicles	1,466,999	0	0	1,466,999
Total Depreciable Capital Assets	33,144,869	139,669	0	33,284,538
Accumulated Depreciation:				
Land Improvements	(538,673)	(70,327)	0	(609,000)
Buildings and Improvements	(8,312,914)	(847,294)	0	(9,160,208)
Furniture and Equipment	(993,253)	(122,492)	0	(1,115,745)
Vehicles	(1,176,626)	(68,533)	0	(1,245,159)
Total Accumulated Depreciation	(11,021,466)	(1,108,646)	0	(12,130,112)
Total Depreciable Capital Assets, Net	22,123,403	(968,977)	0	21,154,426
Governmental Capital Assets, Net	\$22,842,215	(\$968,977)	\$0	\$21,873,238

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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\*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$798,752
Special	4,467
Support Services:	
Pupil	2,038
Instructional Staff	56,722
Board of Education	4,752
Administration	7,032
Fiscal	11,126
Operation and Maintenance of Plant	21,780
Pupil Transportation	125,607
Central	979
Food Service Operations	38,606
Extracurricular	36,785
Total Depreciation Expense	\$1,108,646

**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 2009 the School District contracted with Ohio Casualty Insurance for property and inland marine coverage, and for fleet insurance and liability insurance. Flood insurance was provided by the National Flood Insurance. Ohio Casualty Insurance Coverage's provided by Pilney-Foster Insurance Agency of Ohio are as follows:

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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Building and Contents-replacement cost (\$1,000 deductible)	\$37,189,096
Automotive Liability (\$500 deductible)	1,000,000
Uninsured Motorist (\$500 deductible)	1,000,000
<i>General Liability:</i>	
Each Occurance	2,000,000
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**

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Services provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Benefits**

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of seventy-five members, in which monthly premiums are paid to the fiscal agent who in turn pays the

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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claims on the School District's behalf. All employees were covered for medical/surgical and prescription drug coverage through the OME-RESA, self-insured plan.

The Board pays 90 percent of the premiums which are \$1,142.32 per family and \$440.56 for single for certified employees and 98 percent of the premiums which are \$1,244.24 per family and \$474.51 for single for the classified employees. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$374,945 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2008	\$97,360	\$1,811,095	\$1,796,340	\$112,115
2009	112,115	2,463,855	2,201,025 (1)	374,945

(1) Cash Payments for Claims	\$2,610,116
- Stop Loss Received for FY 2009 Claims	(409,091)
Claims Payments	<u>\$2,201,025</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 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 2009, 9.09 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$206,977, \$187,248, and \$204,182 respectively; 50.13 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

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

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

Funding Policy - For the fiscal year ended June 30, 2009, 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 2008, 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, 2009, 2008, and 2007 were \$876,565, 856,631, and \$828,797 respectively; 81.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$7,628 made by the School District and \$10,791 made by the plan members.



**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$94,722, \$85,447, and \$67,788 respectively; 50.13 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$17,077, \$13,492, and \$13,884 respectively; 50.13 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly

**Bellaire Local School District**  
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Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$66,224, \$66,591, and \$64,629 respectively; 81.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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 87.5 days for classified employees and 94.5 days for certified employees.

**B. Other Insurance Benefits**

The School District provides life insurance to all employees. A \$50,000 life insurance policy is purchased by the School District at a cost of \$8 per month. The School District contracts with Genworth Sun Life Insurance to provide this benefit. The School District provides vision insurance through Vision Service Plan at a cost of \$13.61 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 \$124,659, 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 date 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

**Bellaire Local School District**  
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government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$2,078. Principal payments in fiscal year 2009 totaled \$64,827, in the governmental funds.

Future minimum lease payments through 2010 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	<u>\$22,719</u>	<u>\$496</u>

**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Amounts</u>
	<u>Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u>	<u>Due In</u>
	<u>6/30/08</u>			<u>6/30/09</u>	<u>One Year</u>
<b><u>General Obligation Bonds:</u></b>					
2000 School Facilities Bonds					
Term Bonds \$1,405,000 @ 6.0 %	\$1,405,000	\$0	\$1,405,000	\$0	\$0
Serial Bonds \$2,633,000 @ 4.2% to 5.8 %	1,685,000	0	600,000	1,085,000	155,000
<b>Total 2000 School Facilities Bonds</b>	<b>3,090,000</b>	<b>0</b>	<b>2,005,000</b>	<b>1,085,000</b>	<b>155,000</b>
2009 School Improvement Refunding Bonds					
Serial Bonds \$1,395,000 @ 3.5%-4.0%	0	1,395,000	0	1,395,000	0
Term Bonds \$215,000 @ 2.0%-3.0%	0	215,000	0	215,000	50,000
CAB Bonds \$249,996 @ 3.9%-4.0%	0	249,996	0	249,996	0
CAB Accretion \$290,004 @ 9.697%	0	0	0	0	0
Premium \$169,073	0	169,073	0	169,073	0
Refunding Difference \$123,580	0	(123,580)	0	(123,580)	0
<b>Total 2009 Refunding Bonds</b>	<b>0</b>	<b>1,905,489</b>	<b>0</b>	<b>1,905,489</b>	<b>50,000</b>
<b>Total General Obligation Bonds</b>	<b>3,090,000</b>	<b>1,905,489</b>	<b>2,005,000</b>	<b>2,990,489</b>	<b>205,000</b>
Capital Leases	87,546	0	64,827	22,719	22,719
Compensated Absences	1,729,778	187,551	83,103	1,834,226	104,427
<b>Total General Long-Term Obligations</b>	<b>\$4,907,324</b>	<b>\$2,093,040</b>	<b>\$2,152,930</b>	<b>\$4,847,434</b>	<b>\$332,146</b>

On February 1, 2000, the School District issued \$4,038,000 in voted general obligation bonds for the purpose of retiring \$4,038,000 in bond anticipation notes that were issued for the purpose of constructing, acquiring, reconstructing, and making additions to classroom facilities under authority of and pursuant to the general laws of the State of Ohio, particularly Chapters 133 and 3318 of the Ohio Revised Code. The bonds were issued for a period of twenty-two years with a final maturity at December 1, 2021. During fiscal year 2009, the School District made the scheduled repayment of serial bonds in the amount of \$145,000, and advance refunded \$455,000 of serial bonds and \$1,405,000 of the term bonds. The

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advance refunded portion of the bonds were removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the debt service fund.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

Fiscal Year	Serial Bonds	
Ending June 30	Principal	Interest
2010	\$155,000	\$63,147
2011	165,000	53,880
2012	175,000	43,126
2013	185,000	31,696
2014	195,000	19,631
2015	210,000	6,720
Total	\$1,085,000	\$218,200

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

These refunding bonds were issued with a premium of \$169,073. There was no amortization of the issuance costs for fiscal year 2009, as the refunding occurred in April. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$123,580. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$256,384. The issuance resulted in an economic gain of \$205,102.

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

The capital appreciation bonds for this issue mature December 1, 2016 and 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$540,000. Due to the bonds being issued in the last half of the fiscal year, no accretion was recorded for fiscal year 2009, leaving a total bond liability of \$249,996.

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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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The Current Interest Bonds due December 1, 2011 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2009, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

December 1	Principal Amount to be Redeemed
2009	\$50,000
2010	30,000
	\$80,000

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

The Current Interest Bonds due December 1, 2014 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2013, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

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

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

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

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2010	\$50,000	\$68,024	\$0	\$0	\$50,000	\$68,024
2011	30,000	58,575	0	0	30,000	58,575
2012	30,000	57,975	0	0	30,000	57,975
2013	35,000	57,151	0	0	35,000	57,151
2014	35,000	56,100	0	0	35,000	56,100
2015-2019	560,000	236,513	249,996	290,004	809,996	526,517
2020-2022	870,000	53,000	0	0	870,000	53,000
Totals	\$1,610,000	\$587,338	\$249,996	\$290,004	\$1,859,996	\$877,342

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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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.

The School District's overall legal debt margin was \$7,240,231, with an unvoted debt margin of \$107,469 at June 30, 2009.

**Defeased Debt:**

On April 9, 2009, the School District issued \$1,859,996 of general obligation bonds, as detailed above. The bonds were issued to refund \$1,860,000 of outstanding 2000 School Facilities General Obligation Serial and Term Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2021. At the date of refunding, \$1,983,580 (including premium, and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities General Obligation Term Bonds. As of June 30, 2009, the full amount of refunded bonds remained outstanding and the balance of the escrow trust account was \$1,928,349.

**NOTE 16 – INTERNAL BALANCES**

Interfund balances at June 30, 2009 consist of the following individual interfund receivables and payables:

	Interfund Receivable			
	Debt	Classroom Facilities	Other	Total
	Service	Maintenance	Non-Major Governmental	
<u>Interfund Payable</u>				
General Fund	\$0	\$1,150,000	\$122,321	\$1,272,321
Other Nonmajor Governmental	485,000	0	60,504	545,504
Total	\$485,000	\$1,150,000	\$182,825	\$1,817,825

Actual cash deficit balances in the General Fund, Miscellaneous Federal Grant and Food Service Special Revenue Funds were covered by cash from the Classroom Facility Maintenance and Miscellaneous State Special Revenue Funds, Debt Service Fund and Permanent Improvement Capital Project Fund.

**NOTE 17 - 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 2009, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

*Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)* - The Ohio Mid-Eastern Regional Education Service Agency 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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2009, the total amount paid to OME-RESA from the School District was \$124,668 for cooperative gas purchasing services and \$54,709 for financial accounting services, educational management information, and internet access. 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.

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

*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2009.

**NOTE 18 – PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pool**

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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

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

**NOTE 19 – RELATED ORGANIZATION**

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

**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



**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

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

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District's that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the textbooks and capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirements or the elimination of funding of the set-aside altogether for School Districts that are declared to be in Fiscal Watch or Fiscal Caution, provided that the Districts apply and receive approval from the Ohio Department of Education. On April 24, 2009, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education, but did not request a waiver of the set-aside requirement for fiscal year 2009.

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.

	Capital	
	Textbooks	Improvements
Set-aside Reserve Balance as of June 30, 2008	\$0	\$0
Current Year Set-aside Requirement	185,076	185,076
Current Year Offsets	0	(325,931)
Qualifying Disbursements	(178,602)	0
Totals	\$6,474	(\$140,855)
Allowable Carry Forward at June 30, 2008	(36,233)	(3,327,151)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$29,759)	(\$3,327,151)
Set-aside Reserve Balance as of June 30, 2009	\$0	\$0

The School District had qualifying disbursements from previous fiscal years 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, 2009*

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**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, 2009.

**B. Litigation**

The School District is not party to any pending litigation.

**NOTE 22 – GOING CONCERN**

Effective April 24, 2009, the Ohio Department of Education declared the Bellaire Local School District to be in a state of Fiscal Caution in accordance with Revised Code Section 3316.031. The declaration was based on an anticipated deficit for fiscal year 2009 and future years.

Section 3316.031(C) of the Revised Code requires that the Board of Education provide a written proposal to the Ohio Department of Education for correcting the budgetary conditions that prompted the declaration and for preventing the School District from experiencing further difficulties. Upon a determination by the Ohio Department of Education that the School District did not submit an acceptable proposal, the Ohio Auditor of State declared the School District to be in fiscal watch on September 10, 2009.

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance and deficit unreserved fund balance in fiscal years 2010 through 2014. The School District was required to submit a financial plan to the Ohio Department of Education by December 10, 2009. The School District was subsequently declared in be in fiscal emergency on December 31, 2009. See Subsequent Event Note 23 for further details.

**NOTE 23 – SUBSEQUENT NOTE**

**A. Fiscal Condition**

The Ohio Auditor of State declared the School District to be in fiscal watch on September 10, 2009. The School District was required to submit a financial plan to the Ohio Department of Education by December 10, 2009.

The School District failed to submit an acceptable recovery plan to the Ohio Department of Education. As a result, the Ohio Auditor of State declared the School District to be in a state of fiscal emergency on December 31, 2009.

Upon the declaration of a fiscal emergency, a financial planning and supervision commission (the Commission) is to be established to govern the School District and the School District is eligible for emergency funds (Solvency Loans). Within 120 days after the Commission's first meeting, the Commission shall adopt a financial recovery plan. The State Superintendent shall review the recovery plan and either approve or disapprove it within thirty days from its' submission. If the plan is disapproved, the State Superintendent shall recommend modifications that will render it acceptable. No Commission shall implement a recovery plan unless the State Superintendent approves it.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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If the Commission fails to submit an acceptable plan, or if the State Superintendent and director of the Office of Management and Budget (OMB) find that a Commission is not materially complying with the recovery plan, the two may jointly dissolve the Commission and appoint a fiscal arbitrator.

**B. Grants**

The School District has been approved for \$1,493,031 of Federal Stimulus dollars as part of The American Reinvestment and Recovery Act of 2009. \$563,964 is for Budget Stabilization that will be paid through the School Foundation Program, \$446,840 is for IDEA Part B, and \$482,227 is for Title I. The allocations will be available to fund fiscal year 2010 programs.

**C. Debt**

On September 15, 2009, the School District issued a Tax Anticipation Note in the amount of \$500,000 at a rate of 2.8 percent. The note was originally issued with a maturity date of December 1, 2009, but has subsequently been revised to mature on March 1, 2010.

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**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2008/2009	10.555	\$ 14,683	\$ 14,683
Cash Assistance:				
School Breakfast Program	2008/2009	10.553	138,261	138,261
National School Lunch Program	2008/2009	10.555	308,857	308,857
Cash Assistance Subtotal			<u>447,118</u>	<u>447,118</u>
Total Child Nutrition Cluster			<u>461,801</u>	<u>461,801</u>
Team Nutrition Grants	2008/2009	10.574		<u>2,412</u>
Total U.S. Department of Agriculture			461,801	464,213
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2008 2009	84.010	96,260 <u>618,339</u>	118,522 <u>579,359</u>
Total Title I Grants to Local Educational Agencies			714,599	697,881
Special Education-Grants to States	2008 2009	84.027	49,854 <u>397,534</u>	65,572 <u>378,908</u>
Total Special Education-Grants to States			447,388	444,480
Safe and Drug-Free Schools and Communities-National Programs	2009	84.184	101,301	137,157
Safe and Drug-Free Schools and Communities-State Grants	2008 2009	84.186	19,574 <u>977</u>	35,000 <u>256</u>
Total Safe and Drug-Free Schools and Communities-State Grants			20,551	35,256
Twenty-First Century Community Learning Centers	2008 2009	84.287	32,653 <u>148,870</u>	32,653 <u>148,870</u>
Total Twenty-First Century Community Learning Centers			181,523	181,523
State Grants for Innovative Programs	2008 2009	84.298	444 <u>2,626</u>	 <u>2,867</u>
Total State Grants for Innovative Programs			3,070	2,867
Education Technology State Grants	2009	84.318	2,080	2,475
Improving Teacher Quality State Grants	2008 2009	84.367	19,681 <u>149,861</u>	32,756 <u>157,956</u>
Total Improving Teacher Quality State Grants			<u>169,542</u>	<u>190,712</u>
Total U.S. Department of Education			<u>1,640,054</u>	<u>1,692,351</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Belmont County Mental Health and Recovery Board:</i>				
Community-Based Child Abuse Prevention Grants	2008 2009	93.590	7,953 <u>33,099</u>	 <u>36,571</u>
Total Community-Based Child Abuse Prevention Grants			<u>41,052</u>	<u>36,571</u>
Total U.S. Department of Health and Human Services			<u>41,052</u>	<u>36,571</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 2,142,907</u></b>	<b><u>\$ 2,193,135</u></b>

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

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENT**

The School District passes certain federal awards received from the Ohio Department of Education to a not-for-profit agency (subrecipient). As Note A describes, the School District reports expenditures of Federal awards to the subrecipient when paid in cash.

As a subrecipient, the School District has certain compliance responsibilities, such as monitoring its subrecipient to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that the subrecipient achieves the award's performance goals.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D - FOOD DONATION PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair value.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 15, 2010, wherein we noted the School District has suffered recurring losses from operations and has a net asset deficiency that raise substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Rev. Code. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-003 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2009-001 and 2009-002.

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

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



**Mary Taylor, CPA**  
Auditor of State

April 15, 2010





# 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 34<sup>th</sup> 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, 2009. 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, 2009.

#### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We 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. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 15, 2010

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §_510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555  Twenty-First Century Community Learning Centers – CFDA #84.287
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**FINDING NUMBER 2009-001**

**Noncompliance Citation**

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

The following funds reflected negative cash fund balances at year end as noted:

001 General Fund	(\$1,326,416)
006 Food Service	(503,745)
022 Drug Free Consortium	(8,801)
499 Project Victory	(30,789)
573 Title V	(242)
584 HRY Transitions	(13,718)
590 Title II-A	(8,011)

Ohio Rev. Code Section 3315.20 provides an allowable exception for school districts. A school district may have a deficit in any special fund of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit [R.C. § 3315.20(A)];
- There is a reasonable likelihood that the payment will be made [R.C. § 3315.20(A)];
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds. [R.C. § 3315.20(B)].

Several of the above funds would qualify as special funds; however, when applying the exceptions of Ohio Rev. Code Section 3315.20, the School District could not satisfy the conditions necessary to allow a deficit.

We recommend the 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 Treasurer will request funds on a more regular basis to have funds on hand before expenditures are made.

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

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

As of June 30, 2009, the following funds had appropriations which exceeded estimated resources:

Fund	Estimated Resources	Appropriations	Variance
001 General Fund	\$ 11,880,566	\$ 13,547,134	\$ (1,666,568)
006 Food Service	324,427	842,184	(517,757)
022 Drug Free Consortium	17,307	26,332	(9,026)
024 Self Insurance - Medical	3,376,444	3,380,709	(4,265)
452 SchoolNet Prof. Development	5,804	6,764	(960)
499 Miscellaneous. State Grants	63,642	95,874	(32,232)
573 Title V	2,626	2,867	(241)
584 Drug Free	22,525	45,261	(22,736)
590 Improving Teacher Quality	180,677	196,192	(15,515)
599 Other Federal Grants	364,787	405,878	(41,091)

We recommend the Board of Education and the 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 revenue in the General Fund and Food Service Fund was not sufficient enough to cover all expenses. The District is making cuts to help eliminate the shortfalls. The remainder of the funds had or were having drawdowns requested to cover the deficits.

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-003**

**Significant Deficiency**

Ohio Admin. Code Section 117-2-02(C)(1) requires the School District's internal controls to reasonably assure that the budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

During fiscal year 2009, the Treasurer only posted budgeted receipts and appropriations to the Uniform School Accounting System (USAS) for certain payroll items. No other budget information was posted to the accounting system.

As a result, School District management was unable to effectively monitor budget verses actual activity and violations of Ohio Rev. Code Sections 5705.39 and 5705.10(H) occurred.

We recommend the Treasurer post budgetary information into the accounting system for all funds in a timely manner to ensure effective budgetary monitoring.

**Officials' Response:** The fiscal year 2010 budget and revenue allocations were entered in the accounting system before the fiscal year began.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None.

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Rev. Code Section 5705.10(H), food service fund reflected negative cash fund balances throughout the year and at year-end.	No	Not Corrected; Reissued as Finding No. 2009-001.
2008-002	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated revenue in the food service fund.	No	Not Corrected; Reissued as Finding No. 2009-002.
2008-003	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in various funds throughout the year.	Yes	N/A.
2008-004	Ohio Admin. Code Section 117-2-02 (C)(1), not posting budgeted receipts and appropriations to the accounting system in a timely manner.	No	Not Corrected; Reissued as Finding No. 2009-003.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 3, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;

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- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States; and
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



**Mary Taylor, CPA**  
Auditor of State

April 15, 2010



**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  
MAY 6, 2010**