



Dave Yost • Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

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, 2013, 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 thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the basic financial statements, the School District was placed in Fiscal Emergency by the Ohio Department of Education on December 31, 2009 as the School District has suffered recurring losses from operations. Note 23 describes Management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 31, 2014

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Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of Bellaire Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- Net position increased \$1,960,861.
- General revenues accounted for \$12,277,581 in revenue or 73 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, and capital grants and contributions accounted for \$4,510,103 or 27 percent of total revenues of \$16,787,684.
- Total assets of governmental activities increased by \$497,627 primarily due to increases in property taxes receivable, equity in pooled cash and cash equivalents, and intergovernmental receivables, which were offset by decreases in cash and cash equivalents with fiscal agents, investments, and annual depreciation on capital assets. The School District's total liabilities decreased \$1,783,132 due primarily to decreases in accrued wages and benefits, compensated absences, as well as the scheduled repayment of a portion of the Solvency Assistance Advance, and scheduled repayments of long-term debt.
- The School District had \$14,826,823 in expenses related to governmental activities; only \$4,510,103 of these expenses were offset by program specific charges for services, operating grants, capital grants or contributions. General revenues of \$12,277,581 were adequate to provide for these programs.
- Total Governmental Funds had \$16,721,448 in revenues and \$14,448,394 in expenditures. The net change in governmental fund balances, including other financing sources, was an increase of \$2,397,554.

Using this Annual Financial Report

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

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position 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 2013?" The Statement of Net Position 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 position* and changes in those assets. This change in net position 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 Position 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 10. 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Reporting the District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for a scholarship program. This activity is presented as a private purpose-trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other government units and/or other funds.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

These activities are reported in two agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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 Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1
Net Position

	Government Activities		Change
	2013	2012	
Assets			
Current and Other Assets	\$8,894,575	\$7,681,648	\$1,212,927
Capital Assets	18,466,575	19,181,875	(715,300)
Total Assets	27,361,150	26,863,523	497,627
Liabilities			
Long-Term Liabilities	3,410,914	3,713,482	(302,568)
Other Liabilities	2,450,583	3,931,147	(1,480,564)
Total Liabilities	5,861,497	7,644,629	(1,783,132)
Deferred Inflows of Resources			
Property Taxes not Levied to Finance			
Current Year Operations	2,714,934	2,395,036	319,898
Net Position			
Net Investment in Capital Assets	16,123,705	16,727,413	(603,708)
Restricted	3,553,571	3,074,271	479,300
Unrestricted (Deficit)	(892,557)	(2,977,826)	2,085,269
Total Net Position	\$18,784,719	\$16,823,858	\$1,960,861

Total assets of governmental activities increased \$497,627. Currents assets increased by \$1,212,927 primarily due to an increase in property taxes receivable mainly due to reappraisal, as well as increases for equity in pooled cash and cash equivalents and intergovernmental receivables which were offset by decreases in cash and cash equivalent with fiscal agents. Capital assets decreased \$715,300 due primarily to depreciation expense on depreciable capital assets.

The School District's total liabilities decreased \$1,783,132 due primarily to decreases in accrued wages and benefits, compensated absences, as well as the scheduled repayment of a portion of the Solvency Assistance Advance, and scheduled repayments of long-term debt. The decrease in compensated absences is due to the retirement of a large number of senior staff in recent years, and the vacant positions being filled by younger or rehired staff, with lower accrued leave balances.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Total net position of the School District's governmental activities increased \$1,960,861. Unrestricted (deficit) net position increased by \$2,085,269. Net Investment in Capital Assets decreased \$603,708 due primarily to annual depreciation expense as well as bond payments.

Table 2 shows the changes in net position for fiscal year 2013 compared to fiscal year 2012.

Table 2			
Changes in Net Position			
Government Activities			
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues			
<i>Program Revenue</i>			
Charges for Services	\$1,366,136	\$1,307,837	\$58,299
Operating Grants	3,134,657	2,642,023	492,634
Capital Grants and Contributions	9,310	0	9,310
<i>Total Program Revenue</i>	<u>4,510,103</u>	<u>3,949,860</u>	<u>560,243</u>
<i>General Revenue</i>			
Property Taxes	2,574,288	2,506,403	67,885
Grants and Entitlements	9,628,488	9,279,118	349,370
Gifts and Donations	11,843	2,120	9,723
Investments	16,044	22,822	(6,778)
Gain on the Sale of Capital Assets	0	1,958	(1,958)
Miscellaneous	46,918	88,096	(41,178)
<i>Total General Revenue</i>	<u>12,277,581</u>	<u>11,900,517</u>	<u>377,064</u>
Total Revenues	<u>16,787,684</u>	<u>15,850,377</u>	<u>937,307</u>
Program Expenses			
Instruction:			
Regular	5,885,648	5,720,026	165,622
Special	1,602,519	1,609,739	(7,220)
Vocational	113,896	24,063	89,833
Student Intervention Services	107,789	171,463	(63,674)
Support Services:			
Pupil	1,373,879	1,161,824	212,055
Instructional Staff	747,238	440,140	307,098
Board of Education	22,174	22,566	(392)
Administration	949,240	962,991	(13,751)
Fiscal	450,185	517,307	(67,122)
Operation and Maintenance of Plant	1,357,592	1,421,561	(63,969)
Pupil Transportation	989,254	907,668	81,586
Central	9,382	5,061	4,321
Operation of Non-Instructional Services	165,451	120,070	45,381
Food Service Operations	571,223	585,643	(14,420)
Extracurricular Activities	338,630	257,597	81,033
Interest and Fiscal Charges	142,723	124,700	18,023
Total Expenses	<u>14,826,823</u>	<u>14,052,419</u>	<u>774,404</u>
Increase in Net Position	1,960,861	1,797,958	162,903
Net Position Beginning of Year	<u>16,823,858</u>	<u>15,025,900</u>	<u>1,797,958</u>
Net Position End of Year	<u><u>\$18,784,719</u></u>	<u><u>\$16,823,858</u></u>	<u><u>\$1,960,861</u></u>

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Governmental Activities

Property taxes made up approximately 15 percent of revenues for Bellaire Local School District in fiscal year 2013. This revenue source increased slightly from fiscal year 2012 primarily due to the reappraisal.

Charges for Services revenue increased slightly from fiscal year 2012 primarily due to an increase in tuition and fees related to excess cost reimbursements. Operating grants and contributions increased \$492,634 from fiscal year 2012 due to increases in federal grant monies.

Instruction comprises approximately 52 percent of governmental program expenses and increased \$184,561 from fiscal year 2012. Of the instructional expenses, approximately 76 percent is for regular instruction, approximately 21 percent is for special instruction, approximately 2 percent is for vocational instruction and approximately 1 percent is for student intervention services. Overall expenses reflect an increase of \$774,404. The increase is most evident in regular and vocational instruction as well as support services pupil and instructional staff primarily due to an increase in severance payments and intergovernmental revenue for specific programs.

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 2013 compared to fiscal year 2012. 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	
	2013	2012	2013	2012
Instruction:				
Regular	\$5,885,648	\$5,720,026	\$4,810,746	\$4,664,839
Special	1,602,519	1,609,739	883,872	801,318
Vocational	113,896	24,063	88,363	(1,490)
Student Intervention Services	107,789	171,463	107,789	171,463
Support Services				
Pupil	1,373,879	1,161,824	444,332	493,104
Instructional Staff	747,238	440,140	398,921	234,235
Board of Education	22,174	22,566	22,174	22,566
Administration	949,240	962,991	812,289	909,047
Fiscal	450,185	517,307	389,263	457,650
Operation and Maintenance of Plant	1,357,592	1,421,561	1,259,691	1,313,433
Pupil Transportation	989,254	907,668	989,254	907,240
Central	9,382	5,061	9,382	5,061
Operation of Non-Instructional Services	165,451	120,070	(8,358)	10,474
Food Service Operations	571,223	585,643	(130,446)	(103,077)
Extracurricular Activities	338,630	257,597	96,725	91,996
Interest and Fiscal Charges	142,723	124,700	142,723	124,700
Total Expenses	\$14,826,823	\$14,052,419	\$10,316,720	\$10,102,559

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 70 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, 2013
Unaudited

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. The School District has three major funds, the General Fund, the Debt Service Fund, and the Classroom Facilities Maintenance Special Revenue Fund. The General Fund had \$12,670,957 in revenues and \$10,660,534 in expenditures. The General Fund's balance increased \$2,010,423. The Debt Service Fund had revenues in the amount of \$407,654 and total expenditures in the amount of \$318,851 that resulted in a fund balance increase in the amount of \$88,803. The Classroom Facilities Maintenance Special Revenue Fund had revenue in the amount of \$102,344 and total expenditures in the amount of \$64,561 that resulted in a fund balance increase in the amount of \$37,783.

Budgeting Highlights

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

During the course of fiscal 2013 the School District amended its General Fund and the Classroom Facilities Maintenance Special Revenue Fund estimated resources, and the budgetary statements reflect both the original and final amounts. For the General Fund, estimated revenues varied as final budgeted intergovernmental revenues were greater than original estimates. For the General Fund, actual revenues varied from final estimates as actual property taxes were less than estimates, while increased intergovernmental estimated and actual revenues offset the difference. Original appropriations varied as final appropriations were greater than original appropriations; however actual expenditures were slightly less than final appropriations in the General Fund. For the Classroom Facilities Maintenance Special Revenue Fund the variance between original budget and final budget as well as final budget and actual budget resulted from audit adjustments related to posting of taxes.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2013 the School District had \$18,466,575 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2013 balances compared to 2012:

Table 4
Capital Assets Net of Depreciation
Government Activities

	2013	2012
Land	\$718,812	\$718,812
Land Improvements	748,360	755,437
Buildings and Improvements	16,094,463	16,954,694
Furniture and Equipment	601,355	576,556
Vehicles	303,585	176,376
Totals	\$18,466,575	\$19,181,875

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, 2013
Unaudited

Debt

At June 30, 2013 the School District had \$2,360,060 in general obligation bonds and \$105,825 in capital leases outstanding.

Table 5 summarizes debt outstanding:

	Table 5	
	Outstanding Debt at Year End	
	Governmental Activities	
	<u>2013</u>	<u>2012</u>
2000 School Facilities Bonds		
Serial Bonds	\$405,000	\$590,000
2009 School Improvement Refunding Bonds		
Serial Bonds	1,395,000	1,395,000
Term Bonds	70,000	105,000
Capital Appreciation Bonds	249,996	249,996
CAB Accretion	123,015	89,336
Premium	<u>117,049</u>	<u>130,055</u>
Total General Obligation Bonds	2,360,060	2,559,387
Capital Leases	<u>105,825</u>	<u>19,403</u>
Total	<u>\$ 2,465,885</u>	<u>\$ 2,578,790</u>

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

Economic Factors

The Bellaire Local School District continues to experience financial difficulty, as reflected in the financial statements. As the change in fund balances and net position reflect, the adopted spending reduction plan is making progress in addressing the fiscal issues. As the preceding information indicates, the School District relies heavily on State funding as well as property taxpayers. During fiscal year 2010, the School District was declared in Fiscal Emergency. The School District has received State Operating Advances in fiscal years 2010, 2011, and 2012 in the amounts of \$3,667,000, \$1,273,000, and \$1,775,000 respectively. These are zero interest advances of State Foundation funding that will be repaid through reductions of State Foundation revenue, each over a two year period. The last advance payment will be made in June of 2014. The School District has implemented spending reduction plans as part of the requirements under the fiscal emergency legislation. The most recent reduction plan included an additional \$575,420 in cost savings beginning in fiscal year 2014. Overall since 2009, the School District has made reductions in excess of 4 million. As part of the plan to address the current financial situation, the School District placed a five-year, 8.72 Mill Emergency Tax Levy on the November 6, 2012 ballot, an 8.25 Mil Emergency Tax Levy on the May 7th, 2013 ballot and a 5.9 Mil Emergency Tax Levy on November 5th, 2013 all of which were defeated by the voters of the Bellaire Local School District. The School District is currently implementing the revised 2014 and 2015 recovery plan in order to become fiscally solvent.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

Contacting the School District's Financial Management

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

Bellaire Local School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,352,221
Intergovernmental Receivable	681,151
Investments	325,333
Prepaid Items	2,535
Materials and Supplies Inventory	80,584
Property Taxes Receivable	3,413,218
Cash and Cash Equivalents with Fiscal Agents	1,039,533
Non-Depreciable Capital Assets	718,812
Depreciable Capital Assets, Net	<u>17,747,763</u>
 Total Assets	 <u>27,361,150</u>
Liabilities	
Accounts Payable	91,749
Accrued Wages and Benefits Payable	819,201
Intergovernmental Payable	283,618
Matured Severance Payable	144,195
Vacation Benefits Payable	38,482
Accrued Interest Payable	5,259
State Operating Loan Payable	887,500
Claims Payable	180,579
Long-Term Liabilities:	
Due Within One Year	435,277
Due In More Than One Year	<u>2,975,637</u>
 Total Liabilities	 <u>5,861,497</u>
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	<u>2,714,934</u>
Net Position	
Net Investment in Capital Assets	16,123,705
Restricted for:	
Capital Projects	416,557
Debt Service	849,275
Classroom Facilities Maintenance	1,226,887
State Programs	485,801
Federal Programs	277,987
Food Service	199,480
Other Purposes	97,584
Unrestricted (Deficit)	<u>(892,557)</u>
 Total Net Position	 <u><u>\$18,784,719</u></u>

See accompanying notes to the basic financial statements.

Bellaire Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$5,885,648	\$858,068	\$216,834	\$0	(\$4,810,746)
Special	1,602,519	0	718,647	0	(883,872)
Vocational	113,896	0	25,533	0	(88,363)
Student Intervention Services	107,789	0	0		(107,789)
Support Services:					
Pupil	1,373,879	0	929,547	0	(444,332)
Instructional Staff	747,238	0	348,317	0	(398,921)
Board of Education	22,174	0	0	0	(22,174)
Administration	949,240	0	136,951	0	(812,289)
Fiscal	450,185	0	60,922	0	(389,263)
Operation and Maintenance of Plant	1,357,592	6,000	91,901	0	(1,259,691)
Pupil Transportation	989,254	0	0	0	(989,254)
Central	9,382	0	0	0	(9,382)
Operation of Non-Instructional Services	165,451	121,084	43,415	9,310	8,358
Food Service Operations	571,223	139,092	562,577	0	130,446
Extracurricular Activities	338,630	241,892	13	0	(96,725)
Interest and Fiscal Charges	142,723	0	0	0	(142,723)
<i>Total Governmental Activities</i>	<u>\$14,826,823</u>	<u>\$1,366,136</u>	<u>\$3,134,657</u>	<u>\$9,310</u>	<u>(10,316,720)</u>
General Revenues					
Property Taxes Levied for General Purposes					2,010,408
Property Taxes Levied for Capital Outlay					187,660
Property Taxes Levied for Debt Service					336,541
Property Taxes Levied for Classroom Facilities Maintenance					39,679
Grants and Entitlements not Restricted to Specific Programs					9,628,488
Gifts and Donations					11,843
Investment Earnings					16,044
Miscellaneous					46,918
<i>Total General Revenues</i>					<u>12,277,581</u>
Change in Net Position					1,960,861
<i>Net Position Beginning of Year</i>					<u>16,823,858</u>
<i>Net Position End of Year</i>					<u>\$18,784,719</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$368,527	\$758,709	\$1,235,300	\$883,109	\$3,245,645
Investments	0	0	0	325,333	325,333
Receivables:					
Property Taxes	2,679,571	496,753	51,963	184,931	3,413,218
Intergovernmental	174,733	0	0	506,418	681,151
Interfund	56,316	0	0	0	56,316
Prepaid Items	2,535	0	0	0	2,535
Materials and Supplies Inventory	61,230	0	0	19,354	80,584
<i>Total Assets</i>	<u>\$3,342,912</u>	<u>\$1,255,462</u>	<u>\$1,287,263</u>	<u>\$1,919,145</u>	<u>\$7,804,782</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$43,219	\$0	\$19,222	\$29,308	\$91,749
Accrued Wages and Benefits	642,728	0	0	176,473	819,201
Matured Severance Payable	144,195	0	0	0	144,195
Interfund Payable	0	0	0	56,316	56,316
Intergovernmental Payable	240,964	0	0	42,654	283,618
State Operating Loan Payable	887,500	0	0	0	887,500
<i>Total Liabilities</i>	<u>1,958,606</u>	<u>0</u>	<u>19,222</u>	<u>304,751</u>	<u>2,282,579</u>
Deferred Inflows of Resources					
Property Taxes not Levied to Finance Current Year Operations	2,135,867	400,928	41,154	136,985	2,714,934
Unavailable Revenue	604,231	79,171	8,937	299,546	991,885
<i>Total Deferred Inflows of Resources</i>	<u>2,740,098</u>	<u>480,099</u>	<u>50,091</u>	<u>436,531</u>	<u>3,706,819</u>
Fund Balances (Deficit)					
Nonspendable					
Inventories	61,230	0	0	19,354	80,584
Prepays	2,535	0	0	0	2,535
Restricted for:					
Capital Projects	0	0	0	376,897	376,897
Debt Service	0	775,363	0	0	775,363
Classroom Facilities Maintenance	0	0	1,217,950	0	1,217,950
State Programs	0	0	0	485,801	485,801
Federal Programs	0	0	0	18,101	18,101
Food Service	0	0	0	12,449	12,449
Other Purposes	0	0	0	97,584	97,584
Unassigned	(1,419,557)	0	0	167,677	(1,251,880)
<i>Total Fund Balances (Deficit)</i>	<u>(1,355,792)</u>	<u>775,363</u>	<u>1,217,950</u>	<u>1,177,863</u>	<u>1,815,384</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$3,342,912</u>	<u>\$1,255,462</u>	<u>\$1,287,263</u>	<u>\$1,919,145</u>	<u>\$7,804,782</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2013*

Total Governmental Fund Balances		\$1,815,384
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,466,575
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Intergovernmental	259,886	
Property Taxes	576,268	
Tuition and Fees	155,731	
Total		991,885
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 Position.		965,530
Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(38,482)
In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(5,259)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General Obligation Bonds - Serial	1,800,000	
General Obligation Bonds - Term	70,000	
General Obligation Bonds - Capital Appreciation	249,996	
Accretion of Capital Appreciation Bonds Interest	123,015	
Premium	117,049	
Capital Leases	105,825	
Compensated Absences	945,029	
Total		(3,410,914)
<i>Net Position of Governmental Activities</i>		\$18,784,719

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, 2013

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,088,233	\$348,584	\$41,605	\$196,809	\$2,675,231
Intergovernmental	9,654,021	59,070	60,739	2,880,019	12,653,849
Interest	9,279	0	0	1,061	10,340
Tuition and Fees	810,225	0	0	52,597	862,822
Extracurricular Activities	74,095	0	0	167,797	241,892
Rent	6,000	0	0	0	6,000
Gifts and Donations	851	0	0	10,992	11,843
Charges for Services	4,974	0	0	207,579	212,553
Miscellaneous	23,279	0	0	23,639	46,918
<i>Total Revenues</i>	<u>12,670,957</u>	<u>407,654</u>	<u>102,344</u>	<u>3,540,493</u>	<u>16,721,448</u>
Expenditures					
Current:					
Instruction:					
Regular	4,967,029	0	0	225,985	5,193,014
Special	898,591	0	0	666,757	1,565,348
Vocational	96,605	0	0	0	96,605
Student Intervention Services	107,789	0	0	0	107,789
Support Services:					
Pupil	510,117	0	0	895,273	1,405,390
Instructional Staff	322,854	0	0	328,504	651,358
Board of Education	17,403	0	0	0	17,403
Administration	842,545	0	0	126,147	968,692
Fiscal	429,700	10,005	1,183	5,494	446,382
Operation and Maintenance of Plant	1,234,305	0	37,623	96,221	1,368,149
Pupil Transportation	1,054,435	0	0	12,533	1,066,968
Central	8,399	0	0	0	8,399
Operation of Non-Instructional Services	0	0	0	164,200	164,200
Food Service Operations	0	0	0	528,135	528,135
Extracurricular Activities	165,200	0	0	135,562	300,762
Capital Outlay	5,562	0	25,755	181,104	212,421
Debt Service:					
Principal Retirement	0	220,000	0	38,078	258,078
Interest and Fiscal Charges	0	88,846	0	455	89,301
<i>Total Expenditures</i>	<u>10,660,534</u>	<u>318,851</u>	<u>64,561</u>	<u>3,404,448</u>	<u>14,448,394</u>
<i>Excess of Revenues Over Expenditures</i>	2,010,423	88,803	37,783	136,045	2,273,054
Other Financing Sources					
Inception of Capital Lease	0	0	0	124,500	124,500
<i>Net Change in Fund Balances</i>	2,010,423	88,803	37,783	260,545	2,397,554
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(3,366,215)</u>	<u>686,560</u>	<u>1,180,167</u>	<u>917,318</u>	<u>(582,170)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$1,355,792)</u></u>	<u><u>\$775,363</u></u>	<u><u>\$1,217,950</u></u>	<u><u>\$1,177,863</u></u>	<u><u>\$1,815,384</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds \$2,397,554

Amounts reported for governmental activities in the Statement of Activities are different because

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

Capital Outlay	374,167	
Current Year Depreciation	<u>(1,080,136)</u>	(705,969)

Capital Assets removed from the capital asset account on the Statement of Net Position results in a loss on disposal of capital assets on the Statement of Activities		(9,331)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Intergovernmental	118,606	
Tuition and Fees	42,869	
Property Taxes	<u>(100,943)</u>	
Total		60,532

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

General Obligation Bonds - Serial	185,000	
General Obligation Bonds - Term	35,000	
Capital Leases	<u>38,078</u>	
Total		258,078

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

Accrued Interest	(32,749)	
Accretion on Capital Appreciation Bonds	<u>(33,679)</u>	
Total		(66,428)

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the Statement of Activities.		(124,500)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of Bond Premium	13,006	
Vacation Benefits Payable	28,623	
Compensated Absences	<u>189,663</u>	
Total		231,292

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

(80,367)

Change in Net Position of Governmental Activities

\$1,960,861

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$2,250,000	\$2,250,000	\$2,109,760	(\$140,240)
Intergovernmental	8,852,523	9,464,854	9,643,898	179,044
Interest	8,607	9,203	9,279	76
Tuition and Fees	751,575	803,562	810,225	6,663
Extracurricular Activities	73,346	78,419	74,095	(4,324)
Rent	5,566	5,951	6,000	49
Gifts and Donations	0	0	851	851
Charges for Services	789	844	4,974	4,130
Miscellaneous	21,594	23,088	23,279	191
<i>Total Revenues</i>	<u>11,964,000</u>	<u>12,635,921</u>	<u>12,682,361</u>	<u>46,440</u>
Expenditures				
Current:				
Instruction:				
Regular	4,810,992	5,241,213	4,905,229	335,984
Special	782,028	852,267	897,554	(45,287)
Vocational	56,120	64,900	61,106	3,794
Student Intervention Services	108,000	108,000	107,789	211
Support Services:				
Pupil	371,080	406,200	515,437	(109,237)
Instructional Staff	315,360	341,700	329,917	11,783
Board of Education	0	0	17,257	(17,257)
Administration	863,610	933,850	870,017	63,833
Fiscal	418,680	453,800	433,619	20,181
Operation and Maintenance of Plant	1,181,530	1,286,890	1,438,586	(151,696)
Pupil Transportation	948,880	1,036,680	1,119,267	(82,587)
Central	23,000	23,000	12,389	10,611
Extracurricular Activities	143,720	152,500	166,302	(13,802)
Capital Outlay	0	0	5,562	(5,562)
Debt Service:				
Principal Retirement	1,524,000	1,524,000	1,524,000	0
<i>Total Expenditures</i>	<u>11,547,000</u>	<u>12,425,000</u>	<u>12,404,031</u>	<u>20,969</u>
Excess of Revenues Over Expenditures	417,000	210,921	278,330	67,409
Other Financing Sources				
Advances In	0	0	82,851	82,851
<i>Net Change in Fund Balance</i>	417,000	210,921	361,181	150,260
<i>Fund Balance (Deficit) Beginning of Year</i>	(276,189)	(276,189)	(276,189)	0
Prior Year Encumbrances Appropriated	36,450	36,450	36,450	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$177,261</u>	<u>(\$28,818)</u>	<u>\$121,442</u>	<u>\$150,260</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$40,100	\$43,073	\$42,182	(\$891)
Intergovernmental	55,400	116,641	60,739	(55,902)
Interest	0	2,786	2,786	0
<i>Total Revenues</i>	<u>95,500</u>	<u>162,500</u>	<u>105,707</u>	<u>(56,793)</u>
Expenditures				
Current:				
Support Services:				
Fiscal	707	1,550	1,183	367
Operation and Maintenance of Plant	12,343	25,558	36,047	(10,489)
Capital Outlay	66,950	66,950	56,829	10,121
<i>Total Expenditures</i>	<u>80,000</u>	<u>94,058</u>	<u>94,059</u>	<u>(1)</u>
<i>Net Change in Fund Balance</i>	15,500	68,442	11,648	(56,794)
<i>Fund Balance Beginning of Year</i>	1,151,048	1,151,048	1,151,048	0
Prior Year Encumbrances Appropriated	<u>24,700</u>	<u>24,700</u>	<u>24,700</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,191,248</u></u>	<u><u>\$1,244,190</u></u>	<u><u>\$1,187,396</u></u>	<u><u>(\$56,794)</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2013

	Governmental Activity <hr/> Internal Service Fund <hr/>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$106,576
Cash and Cash Equivalents with Fiscal Agents	1,039,533
	<hr/>
<i>Total Assets</i>	<i>1,146,109</i>
	<hr/>
Current Liabilities	
Claims Payable	180,579
Net Position	
Unrestricted	965,530
	<hr/>
<i>Total Net Position</i>	<i>\$965,530</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$1,860,617
Miscellaneous	59,548
	1,920,165
 Operating Expenses	
Purchased Services	113,478
Claims	1,892,758
	2,006,236
 <i>Operating Loss</i>	(86,071)
 Non-Operating Revenues	
Interest	5,704
	(80,367)
 <i>Change in Net Position</i>	(80,367)
 <i>Net Position Beginning of Year</i>	1,045,897
 <i>Net Position End of Year</i>	\$965,530

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, 2013

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$1,860,617
Other Operating Revenues	59,548
Cash Payments for Services	(113,478)
Cash Payments for Claims	(1,913,245)
	(106,558)
<i>Net Cash Used for Operating Activities</i>	(106,558)
Cash Flows from Investing Activities	
Interest	5,704
	5,704
<i>Net Cash Provided by Investing Activities</i>	5,704
<i>Net Decrease in Cash and Cash Equivalents</i>	(100,854)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,246,963
<i>Cash and Cash Equivalents End of Year</i>	\$1,146,109
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$86,071)
Changes in Assets and Liabilities:	
Decrease in Claims Payable	(20,487)
	(20,487)
<i>Net Cash Used for Operating Activities</i>	(\$106,558)

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$428,994	\$39,152
Cash and Cash Equivalents in Segregated Accounts	0	4,488
Investments	81,451	0
<i>Total Assets</i>	510,445	43,640
Liabilities		
Undistributed Monies	0	\$4,488
Due to Students	0	39,152
<i>Total Liabilities</i>	0	\$43,640
Net Position		
Held in Trust for Scholarships	510,445	
<i>Total Net Position</i>	\$510,445	

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Fund
Additions	
Interest	(\$50)
Deductions	
Scholarships Awarded	1,000
<i>Change in Net Position</i>	(1,050)
<i>Net Position Beginning of Year</i>	511,495
<i>Net Position End of Year</i>	\$510,445

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, 2013

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 63 non-certificated employees, 75 full-time teaching personnel and 7 administrative employees who provide services to 1,265 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 bus garage.

The School District, which had previously been declared to be in a state of “Fiscal Caution” and then “Fiscal Watch” by the Ohio Department of Education on April 24, 2009, and September 10, 2009, respectively, has been elevated to the state of “Fiscal Emergency.” The School District did not provide an acceptable proposal to the Ohio Department of Education, and on December 31, 2009, the Auditor of State declared the School District to be in a state of “Fiscal Emergency.” In accordance with State Statute, a five member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of the State Director of the Office of Budget and Management (or designee), the State Superintendent of Public Instruction (or designee), a resident/business owner within the School District appointed by the Belmont County Auditor, a local business person appointed by the Governor, and a parent with a child enrolled within the School District appointed by the State Superintendent of Public Instruction. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the School District Plan on May 5, 2010 which was submitted to the Ohio Department of Education for approval and was subsequently rejected. The Commission then adopted a revised School District Plan on September 29, 2010. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which was approved by the Ohio Department of Education on June 21, 2012, which included additional reductions in the amount of \$908,725. On October 14, 2013 a revised financial recovery plan was approved for fiscal year 2014 which included additional reductions in the amount of \$575,420.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Bellaire Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

Parochial Schools - Within the School District boundaries, St. John Central High School and St. John Grade School are operated through the Diocese of Steubenville. Current State legislation provides funding to these parochial schools. These moneys are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bellaire Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

The Statement of Net Position 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

Bellaire Local School District
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For the Fiscal Year Ended June 30, 2013

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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 and transferred according to the general laws of Ohio.

Debt Service Fund - The Debt Service Fund accounts for and reports property tax revenues restricted for the payment of, general long-term debt principal and interest.

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

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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

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

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

C. Measurement Focus

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

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 Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the

Bellaire Local School District
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resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, no deferred outflows of resources are reported.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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, all 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 records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". The School District utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as "Cash and Cash Equivalents with Fiscal Agents".

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During fiscal year 2013, investments were limited to non-negotiable certificates of deposit. 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 2013 amounted to \$9,279 which includes \$8,422 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.

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 has no restricted assets.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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 capital 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:

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

J. Interfund Balances

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

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, and compensated absences that are 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. Capital leases and loans are recognized as a liability on the governmental fund financial statements when due or when resources are available.

M. Bond Premiums and Discounts

On the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are 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.

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

On the governmental fund financial statements, bond premiums, and bond discounts are recognized in the period in which the bonds are issued. The face amount of the debt issue is reported as an other financing source. Premiums received on debt issuances are reported as an other financing sources, while discounts on debt issuances are reported as other financing uses.

N. Interfund Activity

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

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

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

O. Fund Balance

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

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

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

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed

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by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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

P. Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets, 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 position is 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 position restricted for other purposes include resources required to be used for local resources restricted to expenditures for specified purposes.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

R. 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.

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

T. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate appropriations among objects in 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 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66 "Technical Corrections—2012 an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

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GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 2013, the General fund had a deficit fund balance of \$1,355,792.

The deficit in the General Fund was created by application of generally accepted accounting principles. The primary cause of the deficit balance is the liability for the solvency assistance advance and other accrued liabilities. The School District is currently in fiscal emergency and is working towards fiscal solvency. See Note 23 for further details.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Advances in are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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5. Proceeds from and the principal payments on fund obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

	Net Change in Fund Balance	
	General	Classroom Facilities Maintenance
GAAP Basis	\$2,010,423	\$37,783
Revenue Accruals	11,404	3,363
Advances In	82,851	0
Expenditure Accruals	83,904	18,406
Debt Service - Principal	(1,524,000)	0
Encumbrances	(303,401)	(47,904)
Budget Basis	\$361,181	\$11,648

NOTE 6 – DEPOSIT AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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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 (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2013, the School District's internal service fund had a balance of \$1,039,533 with Jefferson Health Plan Self Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 19). 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 Jefferson Health Plan 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 Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the School District's bank balance was \$4,574,064. Of the bank balance, \$269,569 was covered by Federal depository insurance and the remaining balance of \$4,304,495 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

NOTE 7 - PROPERTY TAXES

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

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Property taxes include amounts levied against all real, and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute 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 year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected 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.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 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 reflected 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2013 was \$95,204 in the General Fund, \$16,654 in the Debt Service Fund, \$8,286 in the Permanent Improvement Capital Projects Fund, and \$1,872 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2012 was \$116,731 in the General Fund, \$20,101 in the Debt Service Fund, \$11,263 in the Permanent Improvement Capital Projects Fund, and \$2,449 in the Classroom Facilities Maintenance Special Revenue Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$99,401,080	90.15%	\$104,856,340	89.93%
Public Utility Personal	10,855,940	9.85%	11,741,760	10.07%
	<u>\$110,257,020</u>	<u>100.00%</u>	<u>\$116,598,100</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$34.50		\$34.50

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, interfund, intergovernmental grants, workers' compensation rebates, and tuition and fees. 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 \$576,268 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:

	<u>Amounts</u>
Governmental Activities	
Excess Costs from Other School Districts	\$155,731
Medicaid Reimbursement	6,144
School Lunch Program Enhancement Grant	9,310
Workers' Compensation Rebate	16,314
Title I Grant	336,120
IDEA Part B Grant	54,255
Title II-A Improving Teacher Quality Grant	52,886
River School Initiative Grant	50,391
Total Intergovernmental Receivables	<u><u>\$681,151</u></u>

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Non-Depreciable Capital Assets:				
Land	\$718,812	\$0	\$0	\$718,812
Depreciable Capital Assets:				
Land Improvements	1,592,152	70,072	0	1,662,224
Buildings and Improvements	28,660,172	0	(9,331)	28,650,841
Furniture and Equipment	1,829,561	143,977	0	1,973,538
Vehicles	1,403,248	160,118	(251,204)	1,312,162
Total Depreciable Capital Assets	<u>33,485,133</u>	<u>374,167</u>	<u>(260,535)</u>	<u>33,598,765</u>
Accumulated Depreciation:				
Land Improvements	(836,715)	(77,149)	0	(913,864)
Buildings and Improvements	(11,705,478)	(850,900)	0	(12,556,378)
Furniture and Equipment	(1,253,005)	(119,178)	0	(1,372,183)
Vehicles	(1,226,872)	(32,909)	251,204	(1,008,577)
Total Accumulated Depreciation	<u>(15,022,070)</u>	<u>(1,080,136)</u>	<u>251,204</u>	<u>(15,851,002)</u>
Total Depreciable Capital Assets, Net	<u>18,463,063</u>	<u>(705,969)</u>	<u>(9,331)</u>	<u>17,747,763</u>
Governmental Capital Assets, Net	<u>\$19,181,875</u>	<u>(\$705,969)</u>	<u>(\$9,331)</u>	<u>\$18,466,575</u>

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$792,930
Special	19,865
Support Services:	
Pupil	550
Instructional Staff	56,960
Board of Education	4,771
Administration	2,813
Fiscal	11,173
Operation and Maintenance of Plant	25,361
Pupil Transportation	89,565
Central	983
Food Service Operations	37,060
Non-Instructional Services	1,251
Extracurricular Activities	36,854
Total Depreciation Expense	<u>\$1,080,136</u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 19). The School District contracted with the Ohio School Plan for liability, property, and fleet insurance.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Building and Contents-replacement cost (\$1,000 deductible)	\$58,009,152
Automotive Liability (\$1,000 deductible)	3,000,000
Uninsured Motorist (\$1,000 deductible)	1,000,000
<i>General Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
Personal and Advertising Injury Limit - Each Occurrence:	3,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	3,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	3,000,000
<i>Employer's Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	3,000,000
Disease - Each Employee	3,000,000

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 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

C. Employee Benefits

Medical/surgical and prescription drug are offered to employees through a self-insurance internal service fund. The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. The Board pays 85 percent of the premiums for medical/surgical and prescription drug coverage. The Board's share of the premium for this coverage was \$1,513.00 for family and \$623.00 for single coverage. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$180,579 reported in the internal service fund at June 30, 2013 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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

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

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at End</u> <u>of Year</u>
2012	\$250,759	\$2,295,033	\$2,344,726	\$201,066
2013	201,066	1,892,758	1,913,245	180,579

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$253,536, \$271,597, and \$208,160, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

B. State Teachers Retirement System

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$557,111 and \$5,177 for the fiscal year ended June 30, 2013, \$582,680 and \$5,096 for the fiscal year ended June 30, 2012, and \$659,248 and \$551 for the fiscal year ended June 30, 2011. For fiscal year 2013, 77.5 percent has been contributed for the DB plan and 77.5 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$337 made by the School District and \$240 made by the plan members. In addition, member contributions of \$3,698 were made for fiscal year 2013 for the portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, no member of the Board of Education has elected Social Security.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy - State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 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 fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$23,783 in surcharge.

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

The School District’s contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,097, \$11,762, and \$28,914, respectively. For fiscal years 2013, 2012 and 2011, 100 percent has been contributed.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District’s contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$14,322, \$16,039, and \$15,367 respectively. For fiscal years 2013, 2012 and 2011, 100 percent has been contributed.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$41,658, \$44,520, and \$54,831 respectively. For fiscal year 2013, 77.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 to 275 days for all employees. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 91 days for classified employees and 94.5 days for certified employees.

B. Other Insurance Benefits

The School District provides life insurance to all employees. A \$50,000 life insurance policy is purchased by the School District at a cost of \$8 per month. The School District contracts with Sun Life Insurance to provide this benefit. The School District provides vision insurance through Vision Service Plan at a cost of \$15.31 per month.

NOTE 14 – SOLVENCY ASSISTANCE ADVANCES

The School District participated in the State Solvency Assistance program in fiscal years 2010, 2011 and 2012. Based on program guidelines, the program allows for advances against the state foundation revenue to be provided at a zero percent rate to be repaid through deductions from the School District's state foundation receipts. Each advance is repaid in equal installments over the two subsequent fiscal years. See Going Concern - Note 23 for additional information. The following table summarizes the School District's participation in the State Solvency Assistance program.

<u>Fiscal Year</u>	<u>State Solvency Advance Received During Fiscal Year</u>	<u>State Solvency Advance Repaid During Fiscal Year</u>	<u>State Solvency Advance Outstanding as of Fiscal Year End</u>
2010	\$3,667,000	\$0	\$3,667,000
2011	1,273,000	1,833,500	3,106,500
2012	1,775,000	2,470,000	2,411,500
2013	0	1,524,000	887,500

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2013, and in prior years, the School District entered into capitalized leases for copying equipment. Capital lease payments are reflected as debt service expenditures on the Statement of Revenue, Expenditures, and Change in Fund Balance for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$124,500, which is equal to the present value of the minimum lease payments. A

Bellaire Local School District
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corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$103,750. Principal payments in fiscal year 2013 totaled \$38,078, in the governmental funds.

Future minimum lease payments through 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2014	\$24,900
2015	24,900
2016	24,900
2017	24,900
2018	<u>6,225</u>
Totals	<u><u>\$105,825</u></u>

NOTE 16 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts Due In One Year
<u>General Obligation Bonds:</u>					
2000 School Facilities Bonds					
Serial Bonds \$2,633,000 @ 4.2% to 5.8 %	\$590,000	\$0	\$185,000	\$405,000	\$195,000
2009 School Improvement Refunding Bonds					
Serial Bonds \$1,395,000 @ 3.5%-4.0%	1,395,000	\$0	0	1,395,000	0
Term Bonds \$215,000 @ 2.0%-3.0%	105,000	0	35,000	70,000	35,000
CAB Bonds \$249,996 @ 3.9%-4.0%	249,996	0	0	249,996	0
CAB Accretion \$290,004 @ 9.697%	89,336	33,679	0	123,015	0
Premium \$169,073	130,055	0	13,006	117,049	0
Total 2009 Refunding Bonds	<u>1,969,387</u>	<u>33,679</u>	<u>48,006</u>	<u>1,955,060</u>	<u>35,000</u>
Total General Obligation Bonds	<u>2,559,387</u>	<u>33,679</u>	<u>233,006</u>	<u>2,360,060</u>	<u>230,000</u>
Capital Leases	19,403	124,500	38,078	105,825	24,900
Compensated Absences	<u>1,134,692</u>	<u>128,147</u>	<u>317,810</u>	<u>945,029</u>	<u>180,377</u>
Total General Long-Term Obligations	<u><u>\$3,713,482</u></u>	<u><u>\$286,326</u></u>	<u><u>\$588,894</u></u>	<u><u>\$3,410,914</u></u>	<u><u>\$435,277</u></u>

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

Bellaire Local School District
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For the Fiscal Year Ended June 30, 2013

\$145,000, and advance refunded \$455,000 of serial bonds and \$1,405,000 of the term bonds. The advance refunded portion of the bonds was removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the debt service fund.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	Serial Bonds	
	Principal	Interest
2014	\$195,000	\$19,631
2015	210,000	6,720
Total	<u>\$405,000</u>	<u>\$26,351</u>

2009 School Improvement Refunding General Obligation Bonds – On April 9, 2009, Bellaire Local School District issued \$1,859,996 of general obligation bonds. The bonds were issued to refund \$1,860,000 of outstanding 2000 School Facilities General Obligation Serial and Term Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2021. At the date of refunding, \$1,983,580 (including premium, and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities General Obligation Term Bonds. As of June 30, 2011 all of the refunded bonds had been called and fully repaid. The amortization of the premium for fiscal year 2013 was \$13,006.

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

The capital appreciation bonds for this issue mature December 1, 2016 and 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$540,000. The accretion recorded for fiscal year 2013 was \$33,679, leaving a total bond liability of \$373,011.

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

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

<u>December 1</u>	<u>Principal Amount to be Redeemed</u>
2014	35,000

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

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program. In

Bellaire Local School District
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For the Fiscal Year Ended June 30, 2013

the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and Interest requirements to retire general obligation bonds for the 2009 School Improvement Refunding Bonds outstanding at June 30, 2013 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2014	\$35,000	\$56,100	\$0	\$0	\$35,000	\$56,100
2015	35,000	55,050	0	0	35,000	55,050
2016	255,000	50,063	0	0	255,000	50,063
2017	0	45,600	130,912	139,088	130,912	184,688
2018	0	45,600	119,084	150,916	119,084	196,516
2019-2022	1,140,000	93,200	0	0	1,140,000	93,200
Totals	\$1,465,000	\$345,613	\$249,996	\$290,004	\$1,714,996	\$635,617

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

The School District's overall legal debt margin was \$9,149,196, with an unvoted debt margin of \$116,598 at June 30, 2013.

NOTE 17 – INTERNAL BALANCES

Interfund balances at June 30, 2013 consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable
Other Nonmajor Governmental Funds	General Fund
	\$56,316

The loans made to the Miscellaneous Federal and Title I Special Revenue Funds were used to cover an actual cash deficit. The cash deficit was covered by cash and cash equivalents from the General Fund. The loans made from the Miscellaneous Federal and Title I Special Revenue Funds to the General Fund were made as loan repayments to support the programs until federal monies were received.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards. The Board exercises total control over the district including budgeting, appropriating, contracting, and designates management. During fiscal year 2013, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council) - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments. The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2013, the total amount paid to OME-RESA from the School District was \$386 for cooperative gas purchasing services administrative fees, \$21,897 for technology services and \$20,782 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Educational Regional Service System Region 12 (ERSS) – The School District participates in the Educational Regional Service System Region 12, a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an Advisory Council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The Advisory Council exercised total control over the operations of the System including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

NOTE 19 – 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 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. The School District's enrollment fee of \$815 for policy year 2013 was paid to CompManagement, Inc.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Ohio School Plan

Ohio School Plan (OSP) – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Hylant Administrative Services and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

C. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool

The Jefferson Health Plan Self-Insurance Plan – The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience.

In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Sun Life.

NOTE 20 – RELATED ORGANIZATION

Bellaire Public Library - The Bellaire Public Library is a 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 operating subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

solely by the Board of Trustees. Financial information can be obtained from the Bellaire Public Library, Clerk/Treasurer, at 32nd and Guernsey Street, Bellaire, Ohio 43906.

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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

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

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District's that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirement or the elimination of funding of the set-aside altogether. The Bellaire Local School District has been declared in fiscal emergency but has elected to fund the set-aside requirement for the capital improvement set-aside for fiscal year 2013.

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

	<u>Improvements</u>
Set-aside Restricted Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	205,021
Current Year Offsets	(353,716)
Totals	(\$148,695)
Balance Carried Forward to Fiscal Year 2014	\$0
Set-aside Restricted Balance as of June 30, 2013	\$0

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

NOTE 22 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 23 – GOING CONCERN

The School District was placed in Fiscal Caution on April 24, 2009 by the Ohio Department of Education. The School District did not submit a proposal to the Ohio Department of Education and with the concurrence of the Auditor of State, was declared in fiscal watch on September 10, 2009. On December 31, 2009, the School District was placed in Fiscal Emergency due to the failure to submit an acceptable financial recovery plan. The School District and Commission subsequently authorized a revised financial recovery plan on September 29, 2010. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which included additional reductions in the amount of \$908,725. The revised plan was approved on June 21, 2012. On October 14, 2013 a revised financial recovery plan was approved for fiscal year 2014 which included additional reductions in the amount of \$575,420.

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

NOTE 24 – SUBSEQUENT EVENTS NOTE

A. Emergency Operating Levy

On July 15, 2013, the Board of Education approved a resolution to proceed with placing a five-year 5.9 Mills Emergency Tax Levy for general operations on the November 5, 2013 ballot. The levy for general operations would generate \$687,900 per year. The levy was defeated by the voters of the Bellaire Local School District.

On December 9, 2013, the Board of Education approved a resolution to proceed with placing a five-year 5.91 Mills Emergency Tax Levy for general operations on the May 6, 2014 ballot. The levy for general operations would generate \$698,325 per year.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program (Food Distribution)	N/A	10.555	\$4,470	\$4,470
Cash Assistance:				
School Breakfast Program	043570-05PU-13	10.553	207,027	207,027
National School Lunch Program	043570-LLP4-13	10.555	339,871	339,871
Cash Assistance Total			<u>546,898</u>	<u>546,898</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			551,368	551,368
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	043570-C1S1-12 043570-C1S1-13	84.010	258,146 441,556	215,372 491,046
Total Title I Grants to Local Educational Agencies			<u>699,702</u>	<u>706,418</u>
Special Education - Grants to States	043570-6BSF-12 043570-6BSF-13	84.027	36,923 348,915	7,857 401,837
Total Special Education - Grants to States			<u>385,838</u>	<u>409,694</u>
ARRA - Special Education, Grants to States (IDEA, Part B), Recovery Act	043570-13	84.391		(56)
Education Technology State Grants	043570-TJS1-12	84.318	7,961	6,167
Improving Teacher Quality State Grants	043570-TRS1-12 043570-TRS1-13	84.367	38,394 141,094	35,795 163,379
Total Improving Teacher Quality State Grants			<u>179,488</u>	<u>199,174</u>
Education Jobs Fund	043570-12	84.410	16,394	19,394
Safe and Drug-Free Schools and Communities, National Program - Direct Program:				
Safe Schools-Healthy Students Initiative Discretionary Grant				
River School Initiative	Q184L080060-13	84.184L	705,990	740,880
Total U.S. Department of Education			<u>1,995,373</u>	<u>2,081,671</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,546,741</u>	<u>\$2,633,039</u>

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

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 31, 2014, wherein we noted the School District has been declared to be in Fiscal Emergency, as defined by the Ohio Revised Code and has suffered recurring losses from operations and wherein we also noted the School District adopted Governmental Accounting Standards Board Statement No's. 63 and 65.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 31, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Bellaire Local School District, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Basis for Qualified Opinion on Special Education - Grants to States (IDEA, Part B), Safe and Drug-Free Schools and Communities-National Program, and Title I Grants to Local Educational Agencies

As described in Findings 2013-001 and 2013-002 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-001	84.027	Special Education - Grants to States (IDEA, Part B)	Allowable Costs/Cost Principles
2013-001	84.184L	Safe and Drug-Free Schools and Communities, National Program	Allowable Costs/Cost Principles
2013-002	84.010	Title I Grants to Local Educational Agencies	Cash Management

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to these programs.

Qualified Opinion on Special Education - Grants to States (IDEA, Part B), Safe and Drug-Free Schools and Communities-National Program, and Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education - Grants to States (IDEA, Part B), Safe and Drug-Free Schools and Communities-National Program, and Title I Grants to Local Educational Agencies* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education - Grants to States (IDEA, Part B), Safe and Drug-Free Schools and Communities-National Program, and Title I Grants to Local Educational Agencies for the year ended June 30, 2013.

The School District's responses to our noncompliance findings 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.

Report on Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2013-001 and 2013-002 to be material weaknesses.

The School District's responses to our internal control over compliance findings 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.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 31, 2014

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**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Special Education - Grants to States (IDEA, Part B), CFDA #84.027 • Title I Grants to Local Educational Agencies, CFDA #84.010 • Safe and Drug-Free Schools and Communities, National Program, CFDA #84.184L 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2013-001
CFDA Title and Number	Special Education - Grants to States (IDEA, Part B) CFDA #84.027 Safe and Drug-Free Schools and Communities, National Program, CFDA #84.184L
Federal Award Number / Year	2012/2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Allowable Costs and Cost Principles

2 C.F.R. Part 225, Appendix B, Section 8(h)(3) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

2 C.F.R. Part 225, Appendix B, Section 8(h)(4) states where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on:

- a. More than one federal award;
- b. A federal award and a non-Federal Award;
- c. An indirect cost activity and a direct activity;
- d. Two or more indirect activities which are allocated using different allocation bases; or
- e. An unallowable activity and a direct or indirect cost activity.

2 C.F.R. Part 225, Appendix B, paragraph 8(h)(5) states that personnel activity reports or equivalent documentation must meet the following standards:

- a. They must reflect an after-the-fact distribution of the actual activity of each employee;
- b. They must account for the total activity for which each employee is compensated;
- c. They must be prepared at least monthly and must coincide with one or more pay periods; and,
- d. They must be signed by the employee.

These requirements are applicable to both federal and state grants administered from Ohio Department of Education resources.

The School District did not provide single funded certifications for 30% of employees paid from the Special Education, Grants to States (IDEA, Part B) federal grant, nor did the School District provide single funded certificates for 67% of employees tested paid from the Safe and Drug-Free Schools and Communities, National Program.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2013-001 (Continued)

Noncompliance and Material Weakness – 2 C.F.R. Part 225, Appendix B, Section 8(h)(3) – Allowable Costs and Cost Principles (Continued)

The School District may have other grants to which these requirements apply.

We recommend the School District implement procedures to ensure that either single-funded certifications or time and effort documentation is maintained to support employees' salaries and fringe benefits paid from federal grant funds.

Officials' Response: See the Corrective Action Plan on page 68 for response.

Finding Number	2013-002
CFDA Title and Number	Title I Grants to Local Educational Agencies
Federal Award Number / Year	2012/2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Cash Management

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

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

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

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2013-002 (Continued)

Noncompliance and Material Weakness – 34 C.F.R. 80.21(c) – Cash Management (Continued)

For the Title I Grant, 25% of drawdowns were not spent within the period of time for which cash was requested.

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

Officials' Response: See the Corrective Action Plan on page 68 for response.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources.	Yes	N/A.
2012-02	School District did not always post budgeted receipts, appropriations, and/or any amendments accurately to the accounting system.	Yes	N/A.
2012-03	34 C.F.R. 80.21(c), drawdowns were not spent within the period of time for which cash was requested.	No	Not Corrected; Reissued as Finding No. 2013-002.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	The Treasurer will contact the Special Ed Director of the federal funds quarterly and ask for a copy of the certifications and time and effort Logs and compare to the Account Report. A copy of the Report will be sent on to the Special Ed Director to check for correctness. A copy of the updated certificate will be kept on file with signatures of the Treasurer and Special Ed Director.	June 30, 2014	Cynthia Shaw, Treasurer
2013-002	The federal funds will have a negative fund balance during the last week of the month. The Treasurer will run a Budsum and a Finsum Report and request a cash reimbursement during that time from the CCIP. The cash request will be transferred to the general operating account during the first week of the month. Therefore the federal fund will have spent the previous drawdown within the period of time for which cash was requested.	June 30, 2014	Cynthia Shaw, Treasurer



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 13, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

Columbus, Ohio

January 31, 2014

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BELLAIRE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2014**