



Mary Taylor, CPA
Auditor of State

**Bellaire Local School District
Belmont County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2010**

Local Government Services Section

Bellaire Local School District
Belmont County

Table of Contents

Title	Page
Table of Contents	1
Certification	2
Independent Accountant's Report.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Years Ended June 30, 2007 through 2009 Actual; Fiscal Year Ending June 30, 2010 Forecasted	4
Summary of Significant Forecast Assumptions and Accounting Policies	5

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Mary Taylor, CPA

Auditor of State

Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

Board of Education
Bellaire Local School District
340 34th Street
Bellaire, Ohio 43906

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Bellaire Local School District, Belmont County, Ohio, and issued a report dated February 2, 2010. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2010 of \$3,667,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2011 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2010, and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2010.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision Commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

March 4, 2010

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Mary Taylor, CPA

Auditor of State

Board of Education
Bellaire Local School District
340 34th Street
Bellaire, Ohio 43906

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Bellaire Local School District for the fiscal year ending June 30, 2010. The Bellaire Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Bellaire Local School District for the fiscal years ended June 30, 2007, 2008, and 2009 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

February 2, 2010

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Bellaire Local School District
Belmont County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2007 Through 2009 Actual;
For the Fiscal Year Ending June 30, 2010 Forecasted
General Fund

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Forecasted
Revenues				
General Property Taxes	\$1,905,000	\$1,976,000	\$1,892,000	\$1,909,000
Tangible Personal Property Taxes	127,000	86,000	40,000	12,000
Unrestricted Grants-in-Aid	8,618,000	8,521,000	8,517,000	8,926,000
Restricted Grants-in-Aid	906,000	890,000	865,000	25,000
Restricted Federal Grants-in-Aid - SFSF	0	0	0	568,000
Property Tax Allocation	288,000	365,000	390,000	444,000
All Other Revenues	1,065,000	975,000	892,000	835,000
<i>Total Revenues</i>	<u>12,909,000</u>	<u>12,813,000</u>	<u>12,596,000</u>	<u>12,719,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	0	0	500,000
Advances In	1,000	0	0	0
<i>Total Other Financing Sources</i>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>500,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>12,910,000</u>	<u>12,813,000</u>	<u>12,596,000</u>	<u>13,219,000</u>
Expenditures				
Personal Services	6,911,000	7,275,000	7,531,000	7,406,000
Employees' Retirement/Insurance Benefits	3,147,000	3,393,000	3,791,000	3,876,000
Purchased Services	1,698,000	1,928,000	1,991,000	2,247,000
Supplies and Materials	534,000	641,000	536,000	545,000
Capital Outlay	30,000	8,000	21,000	0
Debt Service:				
Principal-Notes	0	0	0	500,000
Interest	0	0	0	7,000
Other Objects	129,000	119,000	247,000	182,000
<i>Total Expenditures</i>	<u>12,449,000</u>	<u>13,364,000</u>	<u>14,117,000</u>	<u>14,763,000</u>
Other Financing Uses				
Transfers Out	43,000	15,000	0	653,000
Advances Out	0	0	0	40,000
All Other Financing Uses	4,000	0	0	0
<i>Total Other Financing Uses</i>	<u>47,000</u>	<u>15,000</u>	<u>0</u>	<u>693,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>12,496,000</u>	<u>13,379,000</u>	<u>14,117,000</u>	<u>15,456,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	414,000	(566,000)	(1,521,000)	(2,237,000)
Cash Balance July 1	399,000	813,000	247,000	(1,274,000)
Cash Balance June 30	813,000	247,000	(1,274,000)	(3,511,000)
Encumbrances and Reserves of Fund Balance:				
Actual/Estimated Encumbrances June 30	211,000	107,000	332,000	100,000
Reserves for:				
DPIA/Poverty Based Assistance	14,000	34,000	52,000	0
Bus Purchase	29,000	50,000	56,000	56,000
Total Encumbrances and Reserves of Fund Balance	<u>254,000</u>	<u>191,000</u>	<u>440,000</u>	<u>156,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$559,000</u>	<u>\$56,000</u>	<u>(\$1,714,000)</u>	<u>(\$3,667,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies
See independent accountant's report

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

Note 1 – The School District

The Bellaire Local School District (the School District) is located in Belmont County and encompasses all of Pultney Township, areas of Richland Township and the Village of Bellaire. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one elementary school, one middle school, one high school, one administration building, two maintenance buildings and one bus garage. The School District is staffed by 81 classified and 123 certificated personnel to provide services to approximately 1,313 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Bellaire School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 2, 2010, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance and the school district fiscal stabilization funds and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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 disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

Budget - A budget of estimated cash receipts and disbursements is submitted to the Belmont County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Bellaire Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in businesses which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Belmont County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2010 (the collection year) for real and public utility property taxes represents collections of 2009 taxes (the tax year). Property tax payments received during calendar year 2010 for tangible personal property (other than public utility property) are for calendar year 2010 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

Bellaire Local School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2011 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2010.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, first and last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$4.50
Continuing Operating	1976	n/a	n/a	23.00
Total Tax Rate				\$27.50

The School District has other levies that total \$7.00 per \$1,000 of assessed value; \$3.50 is used for the payment of bonds issued for the construction of school facilities, \$.50 is used for the upkeep of school facilities, and \$3.00 is used for permanent improvements. The School District's total tax rate is \$34.50 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$20.00 per \$1,000 of assessed valuation for collection year 2010, and the effective commercial and industrial real property tax rate is \$21.23 per \$1,000 of assessed valuation for collection year 2010. A sexennial revaluation took place in Belmont County for tax year 2009, which resulted in a slightly higher agricultural valuation.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Belmont County Auditor. The School District anticipates an increase of \$17,000 because of slightly higher valuation from the prior fiscal year, and residential and agriculture millage being at the 20 mill floor.

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the 23 percent assessment rate on business inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 phased out by 25 percent each year tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes were levied or collected after calendar year 2008 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period, lost approximately \$190,000, annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

For fiscal year 2010, tangible personal property tax revenues include telephone property only. The October 2008 tangible personal property tax settlement received in fiscal year 2009 was the last property tax settlement for general personal property taxes. The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes.

B. - Unrestricted Grants-in-Aid

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The bi-monthly payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills multiplied by the school district's taxable property valuation. The per pupil foundation level was set by State Legislature. Beginning in fiscal year 2008, the per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision

Bellaire Local School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

making, and professional development for data based decision making.

The per pupil amount for fiscal years 2007 to 2009 were as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2007	\$5,403	\$0	\$5,403
2008	5,565	49	5,614
2009	5,732	51	5,783

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-based Model was established in Chapter 3306 of the Ohio Revised Code and links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district's share of the adequacy amount (the charge off amount), which is equal to 22 mills for fiscal year 2010.

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount are phased in over a five year period. In addition, school districts are guaranteed 99 percent of prior year's State Foundation aid for the current fiscal year. For fiscal year 2010, the Bellaire Local School District estimates \$8,926,000 in adequacy funding. The School District does not qualify for the guarantee funding.

In fiscal year 2010, approximately six percent of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see D - Restricted Federal Grants-in-Aid).

C. - Restricted Grants-in-Aid

In previous years, restricted grants distributed as part of the Foundation program such as Poverty Based Assistance, Bus Purchase Allowance, and Career Tech funding were reflected in this account. For fiscal year 2010, the restricted grants-in-aid account consists only of career tech funding, which is forecasted in the amount of \$25,000.

D. - Restricted Federal Grants-in-Aid

In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The Bellaire Local School District, based on estimates provided by the Department of Education, anticipates \$568,000

Bellaire Local School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

for fiscal year 2010. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher and classroom aids salaries and benefits.

E. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimbursed the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2010, the School District anticipates receiving \$114,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecasted Fiscal Year 2010	Variance
Homestead and Rollback	\$230,000	\$282,000	\$324,000	\$330,000	\$6,000
Tangible Personal Property Exemption	8,000	7,000	0	0	0
Tangible Personal Property Loss Reimbursement	50,000	76,000	66,000	114,000	48,000
Totals	<u>\$288,000</u>	<u>\$365,000</u>	<u>\$390,000</u>	<u>\$444,000</u>	<u>\$54,000</u>

F. - All Other Revenues

All other revenues include tuition, interest, rental income, student class fees, fingerprint fees, Medicaid reimbursements, and other revenue.

Open enrollment tuition revenue is expected to decrease by \$17,000. Tuition for special education services is anticipated to decrease \$50,000 resulting from fewer students being served which is offset slightly from new tuition received for preschool education.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is anticipated to continue to decline significantly, due to low interest rates and reduced balances available to invest.

Student class fees are expected to decrease \$15,000 due to HB1, which prohibits fees being collected from students that qualify for the Federal free lunch program.

The School District is expecting to receive \$50,000 in reimbursements from the Medicaid Schools Program (MSP) during fiscal year 2010 for students currently being served under the Federal program guidelines.

All other revenues consist of the following:

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecasted Fiscal Year 2010	Variance Increase (Decrease)
Open Enrollment Tuition	\$524,000	\$558,000	\$469,000	\$452,000	(\$17,000)
Other Tuition	344,000	273,000	312,000	262,000	(50,000)
Extracurricular Transportation	24,000	13,000	21,000	20,000	(1,000)
Interest	78,000	68,000	19,000	5,000	(14,000)
Rentals	1,000	2,000	2,000	2,000	0
Student Class Fees	28,000	27,000	24,000	9,000	(15,000)
Fingerprint Fees	10,000	17,000	28,000	18,000	(10,000)
CAFS Reimbursements	39,000	0	0	0	0
MSP Reimbursements	0	0	0	50,000	50,000
Other	17,000	17,000	17,000	17,000	0
Totals	<u>\$1,065,000</u>	<u>\$975,000</u>	<u>\$892,000</u>	<u>\$835,000</u>	<u>(\$57,000)</u>

G. – Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2010, the School District issued a \$500,000 tax anticipation note at a 2.80 percent interest rate. The note is scheduled to be repaid on March 1, 2010.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by administrative contractual agreements.

Bellaire Local School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

Staffing levels for the last two fiscal years and the forecast period are displayed in the chart below. The amounts represent full time equivalents.

	2008	2009	Forecast 2010
General Fund:			
Certified	111	112	105
Classified	63	68	64
Total General Fund:	174	180	169
Other Funds:			
Certified	15	14	18
Classified	23	19	17
Total Other Funds:	38	33	35
Totals	212	213	204

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases ranging from 1.00 percent to 2.06 percent and educational incentives for existing staff. The existing contract expired on June 30, 2009, and a new contract has not been approved as of the date of this forecast. The School District is continuing to follow the provisions of the expired contract. The contract allowed for 3.50 and 4.00 percent increases in base salaries for fiscal years 2008 and 2009, and no increase in base salary for 2010; however, certified staff received step and educational increases. The School District also had an overall reduction of certified staff due to not replacing two teachers and one elementary school principal through resignation and retirement. There is also a reduction due to four teaching positions being paid through Federal funds. These reductions were offset by step and educational increases.

Classified salaries are based on negotiated contracts which include base and step increases. The contract covers the period July 1, 2008 through June 30, 2010. The contract provided for base increases in contract years 2009 and 2010 in the amount of \$.51 and \$.46, respectively. The majority of the employees in this category are at the highest step on the salary schedule; therefore, no step increases are included in the forecast. The base increases are offset by the elimination of three classroom aides and one custodial position that was not filled.

In addition to contract salaries, the School District is projecting a slight decrease in substitute salaries and severance from fiscal year 2009.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the criteria set by STRS or SERS. Severance pay to certified employees is equal to thirty-five percent of their unused sick leave not to exceed a total of 94.5 days paid. Classified employees shall receive severance pay at his or her daily rate of pay for thirty-five percent (35 percent) of the employee's accumulated sick leave at the time of retirement. Severance is paid in one lump sum after the employee receives verification from STRS / SERS respectively.

B. – Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers compensation, and other benefits arising from the negotiated agreements.

Bellaire Local School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2010

Employer's retirement costs are based on the employers' contribution rate of 14 percent of gross wages for both the STRS and SERS retirement systems and portions of the employees' contribution paid by the Board of Education. The School District pays 7 percent of the employees' retirement (partial pick up) for teaching employees, 10 percent (full pick up) for administrative employees' and 4 percent (partial pick up) of the classified employees' contributions. The forecasted retirement also includes the SERS surcharge to fund health care benefits for employees earning less than a minimum salary amount. Payments for the employers' share of the retirements are made based upon estimated salary and wages for each fiscal year, which are withheld from the bi-monthly State Foundation payments. The School District remits the employees' contributions to the retirement systems following each payroll. The School District is forecasting a decrease in employer's retirement based on the reduction of positions as reflected in the assumption for salaries.

The School District provides medical/surgical, prescription drug, and dental care on a self-insured basis, and provides vision and life benefits through separate insurance carriers. Rates for the self-insured coverage are based on recommended amounts from the School District's third party administrator and adopted by the Board of Education on a yearly basis. Health, prescription drug, and dental rates are effective October 1 each year, with all other insurance rates effective September 1. The Board-paid share of the monthly rates per employee, are as follows:

Coverage:	<u>Health</u>	<u>Vision</u>	<u>Dental</u>	<u>Life</u>
Family	\$1,278.46	\$13.61	\$54.00	\$8.00
Single	493.07	13.61	54.00	8.00

All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. Although there are less covered employees in fiscal year 2010, this reduction is offset by a 12 percent increase in the health insurance rates.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District chooses to make one payment. The premium for calendar year 2009, due in May 2010, is projected to be lower than fiscal year 2009 due to the School District joining a group rating program beginning in calendar year 2010, and a reduction in salaries.

For fiscal year 2010, unemployment decreased from the prior fiscal year. This is due to only one employee receiving unemployment during the fiscal year 2010.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

Presented below is a comparison of fiscal years 2007, 2008, 2009, and the forecast period:

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecast Fiscal Year 2010	Variance Increase (Decrease)
Employer's Retirement	\$1,411,000	\$1,465,000	\$1,561,000	\$1,540,000	(\$21,000)
Health Care/Life Insurance	1,601,000	1,779,000	2,047,000	2,244,000	197,000
Workers' Compensation	79,000	85,000	104,000	27,000	(77,000)
Medicare	51,000	63,000	69,000	64,000	(5,000)
Unemployment	5,000	1,000	10,000	1,000	(9,000)
Totals	<u>\$3,147,000</u>	<u>\$3,393,000</u>	<u>\$3,791,000</u>	<u>\$3,876,000</u>	<u>\$85,000</u>

C. - Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecast Fiscal Year 2010	Variance Increase (Decrease)
Professional and Technical Services	\$56,000	\$77,000	\$78,000	\$81,000	\$3,000
Property Services	101,000	146,000	114,000	126,000	12,000
Travel and Meeting Expenses	9,000	18,000	8,000	12,000	4,000
Communication Costs	37,000	42,000	44,000	42,000	(2,000)
Utility Services	349,000	363,000	397,000	411,000	14,000
Tuition and Other Similar Payments	<u>1,146,000</u>	<u>1,282,000</u>	<u>1,350,000</u>	<u>1,575,000</u>	<u>225,000</u>
Totals	<u>\$1,698,000</u>	<u>\$1,928,000</u>	<u>\$1,991,000</u>	<u>\$2,247,000</u>	<u>\$256,000</u>

The total increase in purchased services is largely due to tuition and other similar payments which include open enrollment and payments to the Education Service Centers (ESC) for curriculum, special needs preschool, Belmont County Alternative Program (BCAP), speech, and audiology. This increase is due primarily to the School District paying two ESC's \$372,000 for these services in fiscal year 2010. The Belmont County ESC was combined with the East Central Ohio ESC effective August 1, 2009. The Belmont County ESC is billing the School District for services in fiscal year 2008 through August 1, 2009, and East Central Ohio ESC is billing the School District on a monthly basis; therefore, the School District is paying two ESCs in fiscal 2010. There was also a significant increase in open enrollment in fiscal year 2010 due to the increased number of students attending other school districts.

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Forecast Fiscal Year 2010	Variance Increase (Decrease)
General Supplies, Textbooks, Library Books, and Periodicals	\$304,000	\$373,000	\$286,000	\$287,000	\$1,000
Operations, Maintenance and Repair	189,000	220,000	195,000	210,000	15,000
Maintenance Supplies	41,000	48,000	55,000	48,000	(7,000)
Totals	<u>\$534,000</u>	<u>\$641,000</u>	<u>\$536,000</u>	<u>\$545,000</u>	<u>\$9,000</u>

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2010, the School District is making any capital related expenditures from the permanent improvement fund.

F. – Debt Service

On September 15, 2009, the School District issued a \$500,000 Tax Anticipation Note at 2.80 percent. The note matures on March 1, 2010. The School District will pay \$500,000 in principal and \$7,000 in interest on this note. These notes are being repaid with property taxes.

G. - Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$182,000, which is \$65,000 lower than the prior fiscal year. The decrease is primarily due to final settlement of CAFS Professional Services related to the period of July 1, 2000 through December 31, 2003 paid in 2009.

H. - Transfers and Advances Out

For fiscal year 2010, \$653,000 in forecasted to be transferred to the food service fund to cover the food service fund's deficit cash balance. Although there have been reductions to food service expenditures, the amount of the reductions have not been sufficient to address deficit in the fund.

Advances out to federal grant funds are expected to be \$40,000. These advances will be repaid in the following fiscal year when revenue is received.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2010, are estimated to be \$100,000.

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Under Sections 3315.17(B)(2) and 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the textbook and capital improvement set asides. The Board of Education is anticipated to pass a resolution to waive the set-aside requirement for fiscal year 2010; therefore no reserve amount is forecasted for textbooks and instructional materials.

Currently, the School District has \$56,000 in unspent bus purchase allowance. The School District does not anticipate receiving bus purchase allowance money during fiscal year 2010. No bus purchase is anticipated during fiscal year 2010. Therefore, the School District is forecasting a \$56,000 reservation of fund balance for bus purchases at June 30, 2010.

Note 10 - Levies

Since 1999, the School District has placed one levy on the ballot. On May 2, 2006, a five year permanent improvement levy for 3 mills was approved by the voters.

The School District is placing a 12.9 mill, five year operating levy on the May ballot. The levy is projected to generate \$1,396,000 per year beginning with the 2010 tax duplicate for collection in tax year 2011.

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Employee Benefits Self-Insurance Fund

The School District provides medical/surgical, prescriptions, and dental benefits through two separate self-insurance programs. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of \$35,000 per person, per year. For fiscal year 2010, the School District anticipates

Bellaire Local School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2010

premiums and stop loss reimbursements to be sufficient to cover the claims and administrative costs.

Note 13 – Financial Planning and Supervision Commission

On December 31, 2009, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Belmont County Auditor. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must in accordance with the plan.

The school district is currently in the process of developing a financial recovery plan as required by State law.



Mary Taylor, CPA
Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2010**