Dave Yost • Auditor of State

Bellaire Local School District
Belmont County, Ohio

Financial Forecast
For the Fiscal Year Ending June 30, 2011

Local Government Services Section

Bellaire Local School District
Belmont County

Table of Contents

This page intentionally left blank.

Dave Yost • 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 3, 2011. 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, 2011 of $1,273,000.

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 2012 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, 2011, 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 2011.

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.

DAVE YOST
Auditor of State

Unice S. Smith

Unice S. Smith
Chief of Local Government Services

March 22, 2011

This page intentionally left blank.

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, 2011. 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, 2008, 2009, and 2010 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.

Dave Yost

DAVE YOST
Auditor of State

February 3, 2011

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

Bellaire Local School District
Belmont County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2008 Through 2010 Actual;
For the Fiscal Year Ending June 30, 2011 Forecasted
General Fund

	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Forecasted
Revenues				
General Property Taxes	$1,976,000	$1,892,000	$1,952,000	$2,033,000
Tangible Personal Property Taxes	86,000	40,000	12,000	6,000
Unrestricted Grants-in-Aid	8,521,000	8,517,000	8,895,000	8,885,000
Restricted Grants-in-Aid	890,000	865,000	263,000	0
Restricted Federal Grants-in-Aid	0	0	600,000	1,159,000
Property Tax Allocation	365,000	390,000	464,000	436,000
All Other Revenues	975,000	892,000	877,000	892,000
Total Revenues	12,813,000	12,596,000	13,063,000	13,411,000
Other Financing Sources				
Proceeds from Sale of Notes	0	0	500,000	0
Solvency Assistance Advance	0	0	3,667,000	0
Advances-In	0	0	0	96,000
Total Other Financing Sources	0	0	4,167,000	96,000
Total Revenues and Other Financing Sources	12,813,000	12,596,000	17,230,000	13,507,000
Expenditures				
Personal Services	7,275,000	7,531,000	7,355,000	6,684,000
Employees' Retirement/Insurance Benefits	3,393,000	3,791,000	3,935,000	3,609,000
Purchased Services	1,928,000	1,991,000	2,206,000	2,123,000
Supplies and Materials	641,000	536,000	458,000	431,000
Capital Outlay	8,000	21,000	0	0
Debt Service:				
Principal-Notes	0	0	500,000	0
Principal-Solvency Assistance Advance	0	0	320,000	1,834,000
Interest	0	0	6,000	0
Other Objects	119,000	247,000	168,000	178,000
Total Expenditures	13,364,000	14,117,000	14,948,000	14,859,000
Other Financing Uses				
Transfers Out	15,000	0	627,000	0
Advances Out	0	0	96,000	50,000
Total Other Financing Uses	15,000	0	723,000	50,000
Total Expenditures and Other Financing Uses	13,379,000	14,117,000	15,671,000	14,909,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(566,000)	(1,521,000)	1,559,000	(1,402,000)
Cash Balance (Deficit) July 1	813,000	247,000	(1,274,000)	285,000
Cash Balance (Deficit) June 30	247,000	(1,274,000)	285,000	(1,117,000)
Actual/Estimated Encumbrances June 30	107,000	332,000	124,000	100,000
Reserves for:				
DPIA/Poverty Based Assistance	34,000	52,000	44,000	0
Bus Purchase	50,000	56,000	56,000	56,000
Total Encumbrances and Reserves of Fund Balance	191,000	440,000	224,000	156,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	$56,000	($1,714,000)	$61,000	($1,273,000)

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

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 73 classified and 106 certificated personnel to provide services to approximately 1,356 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 3, 2011, 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 education jobs 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.

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.

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. Tangible personal property used in businesses was taxed in calendar years prior to 2011. 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 2011 (the collection year) for real and public utility property taxes represents collections of 2010 taxes (the tax year). 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.

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 2012 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 2011.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund and the full tax rate are as follows:

Tax Levies	Year Approved/ Renewed	Full Tax Rate (Per $1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	$4.50
Continuing Operating	1976	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 $20.01 per $1,000 of assessed valuation for collection year 2011, and the effective commercial and industrial real property tax rate is $21.18 per $1,000 of assessed valuation for collection year 2011.

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 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 forecasted is based upon information provided by the Belmont County Auditor. The School District anticipates a slight increase in the amount of $81,000.

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 assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2010 from general business taxpayers and no tangible personal property tax on telephone property will be collected in 2011. 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). 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 semi-annual 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 making, and professional development for data based decision making.

The per pupil amount for fiscal years 2008 and 2009 were as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
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 and 2011.

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 were guaranteed 99 percent of prior year's State Foundation aid in fiscal year 2010 and 98 percent of the prior year in fiscal year 2011. For fiscal year 2011, the Bellaire Local School District estimates $8,885,000 in adequacy funding.

In fiscal year 2010 and 2011, approximately six percent and nine percent, respectively, 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 2011, no restricted grants-in-aid is forecasted as the State programs have been discontinued and the Bellaire Local School District has eliminated the Career Tech program.

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 $666,000 for fiscal year 2011. In addition, the Bellaire Local School District was approved for $493,000 of Federal Jobs Fund Program dollars as part of Public Law No. 111-226 signed by President Obama on August 10, 2010. This program provides assistance to save or create education jobs. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries and benefits during fiscal year 2011.

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 increased State allocation revenue and decreased 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.

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 2011, the School District anticipates receiving $106,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecasted Fiscal Year 2011	Variance
Homestead and Rollback	$282,000	$324,000	$328,000	$330,000	$2,000
Tangible Personal Property Exemption	7,000	0	0	0	0
Tangible Personal Property Loss Reimbursement	76,000	66,000	136,000	106,000	(30,000)
Totals	$365,000	$390,000	$464,000	$436,000	($28,000)

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 increase by $95,000 based on the most recent data provided by the State Department of Education. Tuition for special education services is anticipated to decrease $73,000 resulting from fewer students being served which is offset slightly by tuition received for preschool education.

Interest is based on historical investment practices, anticipated interest 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 expected to stay consistent with the prior year.

The School District is expecting to receive $59,000 in reimbursements from the Medicaid Schools Program (MSP) during fiscal year 2011 for students currently being served under the Federal program guidelines.

Other miscellaneous revenue is expected to decrease $12,000, primarily due to revenue received in fiscal year 2010 from 20th Century Fox for the filming of the movie “Unstoppable”.

All other revenues consist of the following:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecasted Fiscal Year 2011	Variance Increase (Decrease)
Open Enrollment Tuition	$558,000	$469,000	$498,000	$593,000	$95,000
Other Tuition	273,000	312,000	219,000	146,000	(73,000)
Extracurricular Transportation	13,000	21,000	12,000	15,000	3,000
Interest	68,000	19,000	19,000	20,000	1,000
Rentals	2,000	2,000	1,000	2,000	1,000
Student Class Fees	27,000	24,000	18,000	15,000	(3,000)
Fingerprint Fees	17,000	28,000	17,000	20,000	3,000
MSP Reimbursements	0	0	59,000	59,000	0
Other	17,000	17,000	34,000	22,000	(12,000)
Totals	$975,000	$892,000	$877,000	$892,000	$15,000

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 School District is not anticipating the issuance of any notes during fiscal year 2011.

Solvency Assistance Advance – During fiscal year 2010, the School District received a Solvency Assistance Fund Advance in the amount of $3,667,000 from the State. The solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of the nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advances are repaid over two years from State foundation revenues and are interest free.

Advances – During fiscal year 2010, advances were made for a total of $96,000 to other funds and are expected to be repaid in fiscal year 2011.

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.

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

	2008	2009	2010	Forecast 2011
General Fund:				
Certified	111	112	105	89
Classified	63	68	64	55
Total General Fund:	174	180	169	144
Other Funds:				
Certified	15	14	18	17
Classified	23	19	17	18
Total Other Funds:	38	33	35	35
Totals	212	213	204	179

On June 30, 2010, the Board of Education approved a labor agreement with the Bellaire Education Association that represents the certified teaching staff of the School District. The Commission approved the labor agreement on September 1, 2010. The agreement is effective September 1, 2009 through June 30, 2012. The agreement provides for a salary freeze during fiscal year 2011, as well as a retire/rehire clause that provide a one-year rehire provision at $43,313 for employees that retire and meet the qualifications of the agreement. The decrease in certified salaries is primarily due to staff reductions through reductions in force, attrition and the savings from the retire/rehire clause.

Classified salaries are based on negotiated contracts which include base and step increases. On December 13, 2010 the Board of Education approved a tentative three-year contract but has not yet been approved by the Commission. The contract covers the period from July 1, 2010 through June 30, 2013. The new agreement allowed for no increase in base and step increase as well as no educational incentives for fiscal year 2011. The decrease in classified salaries is primarily due to staff reductions through reductions in force and attrition.

Substitutes are forecasted to decrease from fiscal year 2010 for both certified and classified staffing.

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. Severance payments are anticipated to increase due to more staff members retiring during the forecast period as compared with fiscal year 2010.

Presented below is a comparison of salaries and wages for fiscal year 2008, 2009, and 2010 and the forecast period.

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Certified Salaries	$5,549,000	$5,697,000	$5,639,000	$4,821,000	($818,000)
Classified Salaries	1,266,000	1,391,000	1,413,000	1,185,000	(228,000)
Substitute Salaries	330,000	277,000	237,000	208,000	(29,000)
Severance	97,000	130,000	36,000	445,000	409,000
Other Salaries and Wages	33,000	36,000	30,000	25,000	(5,000)
Totals	$7,275,000	$7,531,000	$7,355,000	$6,684,000	($671,000)

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.

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.

In prior fiscal years, SERS has been paid six months in arrears by Ohio school districts. In order to eliminate the arrearage, on March 18, 2010, the SERS board decided to provide school districts two options. Option one is for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Bellaire Local School District has chosen option two and has a total arrearage liability of $150,792, with annual payments of $25,132, which will be withheld from foundation settlements throughout the fiscal year.

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. During fiscal year 2011, there was no change to the teachers' share of health care premium; administrators' share of the health care premium increased by 8 percent effective August 1, 2010, and classified employees, represented by the Ohio Association of Public School Employees, approved a new contract that incorporated a 3 percent increase in the employee share of the health care premium. The Board-paid share of the monthly premiums per employee, are as follows:

Coverage:	August 1, 2009	August 1, 2010	February 1, 2011
Health			
Administrators			
Single	$536.89	$580.19	$580.19
Family	1,392.10	1,504.34	1,504.34
Certified			
Single	493.07	580.19	580.19
Family	1,278.46	1,504.34	1,504.34
Classified			
Single	536.89	629.65	612.42
Family	1,392.10	1,646.42	1,587.92
Dental			
All Employees			
Single/Family	49.00	49.00	49.00
Vision			
All Employees			
Single/Family	13.61	13.61	13.61
Life			
All Employees			
Single/Family	8.00	8.00	8.00

All funds are charged for the number of employees' particiating in the program and the type (single or family) of coverage provided to each employee. Although there are less covered employees and decreases in the Board's share of health care premiums in fiscal year 2011, this reduction is offset by an 18 percent increase in the health insurance premium.

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 2010, due in May 2011, is projected to be higher than fiscal year 2010 due to a rate increase resulting from the Safety Council Discount Program no longer offering a discount to group rated programs of which the School District now participates.

Medicare is based on a percentage of wages and is estimated to decrease in fiscal year 2011, based on a decrease in salaries. For fiscal year 2011, unemployment increased from the prior fiscal year. This is due to only one employee receiving unemployment during the fiscal year 2010 and several employees currently receiving unemployment benefits due to staffing reductions.

Presented below is a comparison of fiscal years 2008, 2009, 2010, and the forecast period:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Employer's Retirement	$1,465,000	$1,561,000	$1,607,000	$1,337,000	($270,000)
Health Care/Life Insurance	1,779,000	2,047,000	2,235,000	2,115,000	(120,000)
Workers' Compensation	85,000	104,000	24,000	36,000	12,000
Medicare	63,000	69,000	68,000	57,000	(11,000)
Unemployment	1,000	10,000	1,000	64,000	63,000
Totals	$3,393,000	$3,791,000	$3,935,000	$3,609,000	($326,000)

C. - Purchased Services

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

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Professional and Technical Services	$77,000	$78,000	$39,000	$42,000	$3,000
Property Services	146,000	114,000	115,000	121,000	6,000
Travel and Meeting Expenses	18,000	8,000	6,000	7,000	1,000
Communication Costs	42,000	44,000	38,000	41,000	3,000
Utility Services	363,000	397,000	348,000	339,000	(9,000)
Tuition and Other Similar Payments	1,282,000	1,350,000	1,660,000	1,573,000	(87,000)
Totals	$1,928,000	$1,991,000	$2,206,000	$2,123,000	($83,000)

The total decrease 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 decrease is due primarily to the School District paying the final costs associated with Belmont County ESC in fiscal year 2010, which was combined with the East Central Ohio ESC effective August 1, 2009. Although overall tuition and other similar payments have decreased, the School District is paying slightly increased open enrollment costs in fiscal year 2011 due to the increased number of students attending other school districts.

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 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
General Supplies, Textbooks, Library Books and Periodicals	$373,000	$286,000	$247,000	$199,000	($48,000)
Operations, Bus Supplies and Repairs	220,000	195,000	165,000	187,000	22,000
Janitorial Supplies	48,000	55,000	46,000	45,000	(1,000)
Totals	$641,000	$536,000	$458,000	$431,000	($27,000)

The decrease in supplies and materials is due to reductions in spending. The increase in operations, bus supplies and repairs expenditures relates to the rising cost of bus fuel.

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. During fiscal year 2011, the School District does not anticipate any capital outlay expenditures.

F. – Debt Service

In January 2010 the School District received a $320,000 advance of foundation revenue for cash flow purposes and repaid the advance prior to fiscal year end. During fiscal year 2010, the School District received an advance from the Solvency Assistance Fund in the amount of $3,667,000. The School District will make repayments of $1,834,000 during fiscal year 2011. The repayments are being deducted from the School District's Foundation Settlements.

G. - Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of $178,000, which is $10,000 higher than the prior fiscal year. The increase is primarily due to final settlement of Community Alternative Funding System services for the period of July 1, 2000 through December 31, 2003, which is anticipated to be paid in 2011.

H. - Transfers and Advances Out

For fiscal year 2011, advances to federal grant funds are expected to be $50,000. 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 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, 2011, 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 2011; 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 2011, and no bus purchase is anticipated during fiscal year 2011. Therefore, the School District is forecasting a $56,000 reservation of fund balance for bus purchases at June 30, 2011.

Note 10 - Levies

Date	Type	Amount	Term	Election Results
April 2, 2006	Permanent Improvement (Renewal)	3.00 mills	5 Years	Passed
May 4, 2010	Emergency	1,396,200	5 Years	Failed
November 2, 2010	Emergency	1,396,200	5 Years	Failed

On January 19, 2011 the Bellaire Board of Education passed a resolution to place a five-year, one percent income tax levy on the May 3, 2011 ballot. The levy is projected to generate $1,048,555 per year. The Tax Commissioner certified the rate on January 20, 2011, and on February 2, 2011 the rate and ballot resolution was submitted to the Belmont County Board of Elections.

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 2011, the School District anticipates 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 have 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 Commission approved the Bellaire Local School District’s financial recovery plan on September 29, 2010.

Note 14 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October of 2010 covered fiscal years 2011 through 2015 and assumes the continued operation of the School District with fairly consistent revenues. However, the plan does not represent a positive cash balance in any of the years forecasted. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2011 and will cover fiscal years 2011 through 2015.

The information in this note is less reliable than the information presented in the financial forecast, and accordingly, is presented for analysis purposes only. Furthermore, there can be no assurances that the events and circumstances described in this note will occur.

Dave Yost • Auditor of State

BELLAIRE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2011

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us