



Mary Taylor, CPA
Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities ..	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – Classroom Facilities Maintenance Fund.....	18
Statement of Fund Net Assets – Proprietary Fund.....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	20
Statement of Cash Flows – Proprietary Fund	21
Statement of Fiduciary Net Assets – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	23
Notes to the Basic Financial Statements.....	25
Schedule of Federal Awards Receipts and Expenditures	53
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	57
Schedule of Findings - OMB Circular A-133 Section .505	59

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of Prior Audit Findings - OMB Circular A-133 Section .315(b)	64



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and the Classroom Facilities Maintenance Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the School District is experiencing financial difficulties. The School District's Food Service Fund, which is part of Remaining Fund Information, had a deficit cash fund balance of \$376,037 as of June 30, 2008. Additionally, the School District's General Fund cash fund balance is not sufficient to cover the deficit in the Food Service Fund. Management does not have any long-term plans for reducing the Food Service Fund's deficit.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 20, 2009

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Bellaire Local City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- Net assets decreased \$1,126,331.
- General revenues accounted for \$10,953,634 in revenue or 66 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,570,779 or 34 percent of total revenues of \$16,524,413.
- Total assets of governmental activities decreased by \$1,298,817 primarily due to depreciation expense of capital assets and decreases in equity in pooled cash and cash equivalents.
- The School District had \$17,650,744 in expenses related to governmental activities; only \$5,570,779 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$10,953,634 were not adequate to provide for these programs.
- The School District has three major funds, the General Fund, the Debt Service Fund, and the Classroom Facilities Maintenance Special Revenue Fund. The General Fund had \$11,904,461 in revenues and \$12,633,278 in expenditures. The General Fund's balance, including transfers, decreased \$743,817. The Debt Service Fund had revenues in the amount of \$355,480 and total expenditures in the amount of \$325,707 that resulted in a fund balance increase of \$29,773. The Classroom Facilities Maintenance Fund had revenue in the amount of \$121,196 and total expenditures in the amount of \$8,901 that resulted in a fund balance increase of \$112,295.

Using this Annual Financial Report

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

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the District's Fiduciary Responsibilities

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Table 1
Net Assets

	Government Activities		Change
	2008	2007	
Assets			
Current and Other Assets	\$6,122,754	\$7,067,472	(\$944,718)
Capital Assets	22,842,215	23,196,314	(354,099)
Total Assets	28,964,969	30,263,786	(1,298,817)
Liabilities			
Long-Term Liabilities	4,907,324	5,079,652	(172,328)
Other Liabilities	4,811,896	4,812,054	(158)
Total Liabilities	9,719,220	9,891,706	(172,486)
Net Assets			
Invested in Capital Assets Net of Debt	19,664,669	19,830,377	(165,708)
Restricted	2,531,883	2,578,210	(46,327)
Unrestricted (Deficit)	(2,950,803)	(2,036,507)	(914,296)
Total Net Assets	\$19,245,749	\$20,372,080	(\$1,126,331)

Total current and other assets decreased \$1,298,817 primarily due to depreciation expense of capital assets and decreases in equity in pooled cash and cash equivalents.

Total net assets of the School District's governmental activities decreased \$1,126,331. The unrestricted (deficit) net assets increased by \$914,296 due to expenses exceeding revenues, while restricted net assets decreased slightly in the amount of \$46,327, and invested in capital assets, net of debt decreased by \$165,708 due primarily to annual depreciation expense.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

Table 2
Changes in Net Assets

	Government Activities		Change
	2008	2007	
Revenues			
<i>Program Revenue</i>			
Charges for Services and Sales	\$1,420,942	\$1,497,414	(\$76,472)
Operating Grants and Contributions	4,123,388	4,414,199	(290,811)
Capital Grants and Contributions	26,449	41,585	(15,136)
<i>Total Program Revenue</i>	<u>5,570,779</u>	<u>5,953,198</u>	<u>(382,419)</u>
<i>General Revenue</i>			
Property Taxes	2,576,300	2,711,871	(135,571)
Grants and Entitlements	8,191,765	8,493,768	(302,003)
Gifts and Donations	1,000	0	1,000
Investment Earnings	96,060	114,743	(18,683)
Gain on Sale of Capital Assets	0	32,996	(32,996)
Miscellaneous	88,509	38,772	49,737
<i>Total General Revenue</i>	<u>10,953,634</u>	<u>11,392,150</u>	<u>(438,516)</u>
Total Revenues	<u>16,524,413</u>	<u>17,345,348</u>	<u>(820,935)</u>
Program Expenses			
Instruction:			
Regular	8,346,607	8,286,144	60,463
Special	2,100,238	2,051,976	48,262
Vocational	168,320	305,795	(137,475)
Support Services:			
Pupil	1,154,547	1,039,558	114,989
Instructional Staff	171,060	181,624	(10,564)
Board of Education	28,839	27,370	1,469
Administration	1,401,683	920,807	480,876
Fiscal	347,905	309,217	38,688
Operation and Maintenance of Plant	1,223,280	1,553,359	(330,079)
Pupil Transportation	1,126,055	1,104,181	21,874
Central	1,046	0	1,046
Operation of Non-Instructional Services	271,335	247,737	23,598
Food Service Operations	768,318	844,615	(76,297)
Extracurricular Activities	341,028	353,219	(12,191)
Interest and Fiscal Charges	200,483	213,165	(12,682)
Total Expenses	<u>17,650,744</u>	<u>17,438,767</u>	<u>211,977</u>
Change in Net Assets	(1,126,331)	(93,419)	(1,032,912)
Net Assets Beginning of Year	<u>20,372,080</u>	<u>20,465,499</u>	<u>(93,419)</u>
Net Assets End of Year	<u><u>\$19,245,749</u></u>	<u><u>\$20,372,080</u></u>	<u><u>(\$1,126,331)</u></u>

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Property taxes made up approximately 16 percent of revenues for the School District in fiscal year 2008, this revenue source decreased slightly from fiscal year 2007 primarily due to very little growth in tax valuations and the loss of personal property tax revenue. Operating grants program revenue decreased \$290,811 due to the loss in student enrollment resulting in decreased State foundation revenue.

Instruction comprises approximately 60 percent of governmental program expenses, a decrease of \$28,750 from fiscal year 2007. Overall, program expenses of the School District increased by \$211,977, with the largest variances realized in costs for administration and operation and maintenance of plant. The increase in administration costs resulted from higher costs for compensated absences and vacation benefits payable as well as a four percent wage increase for administrators. The decreased costs for operation and maintenance of plant is primarily due to costs associated with capital assets.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2008 compared to fiscal year 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$8,346,607	\$8,286,144	\$6,480,944	\$6,325,031
Special	2,100,238	2,051,976	355,771	244,858
Vocational	168,320	305,795	147,706	277,741
Support Services				
Pupil	1,154,547	1,039,558	641,348	413,708
Instructional Staff	171,060	181,624	69,585	29,444
Board of Education	28,839	27,370	28,839	27,370
Administration	1,401,683	920,807	1,302,234	827,192
Fiscal	347,905	309,217	346,833	307,065
Operation and Maintenance of Plant	1,223,280	1,553,359	1,220,916	1,547,767
Pupil Transportation	1,126,055	1,104,181	1,111,400	1,029,708
Central	1,046	0	1,046	0
Operation of Non-Instructional Services	271,335	247,737	33,435	(9,741)
Food Service Operations	768,318	844,615	32,014	111,064
Extracurricular Activities	341,028	353,219	107,411	141,197
Interest and Fiscal Charges	200,483	213,165	200,483	213,165
Total Expenses	<u>\$17,650,744</u>	<u>\$17,438,767</u>	<u>\$12,079,965</u>	<u>\$11,485,569</u>

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. Total governmental funds had \$16,819,771 in revenues and \$17,474,740 in expenditures. The net change in governmental fund balances, including transfers, was a decrease of \$654,969.

General Fund Budgeting Highlights

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

During the course of fiscal 2008 the School District amended its General Fund and the Classroom Facilities Maintenance Fund appropriations, and the budgetary statements reflect both the original and final appropriated amounts. There were significant changes between the original and final appropriations of these funds due to underestimated costs for the General Fund and overestimated costs for the Classroom Facilities Maintenance Fund. There were no significant changes between final appropriations and actual expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008 the School District had \$22,842,215 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 5 shows fiscal 2008 balances compared to 2007:

Table 4
 Capital Assets Net of Depreciation

	Government Activities	
	2008	2007
Land	\$718,812	\$718,521
Land Improvements	852,789	890,740
Buildings and Improvements	20,115,192	20,933,635
Furniture and Equipment	865,049	325,112
Vehicles	290,373	328,306
Totals	\$22,842,215	\$23,196,314

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Debt

At June 30, 2008 the School District had \$3,090,000 outstanding in general obligation bonds and \$87,546 in capital leases outstanding.

Table 5 summarizes bonds and notes outstanding:

Table 5
Outstanding Debt at Year End

	Government Activities	
	2008	2007
2000 School Facilities Bonds		
Term Bonds	\$1,405,000	\$1,405,000
Serial Bonds	1,685,000	1,815,000
Capital Leases	87,546	145,937
Total	\$3,177,546	\$3,365,937

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

Economic Factors

The School District is the Pride of the "All-American Town." The mission statement of the School District is to "Strive to develop students who will become productive citizens in both school and later in the community. These students will be given the opportunity to develop healthy self-esteem, respectful attitudes, and a skill base that will prepare them to be successful adults." The School District continues to improve on the state report card by meeting additional indicators. The School District works as a unit to financially maintain the resources to fulfill this statement. Approximately 60% of the School District's students are economically disadvantaged and 25% are identified as students with disabilities. The School District is eligible and aggressive in pursuing state and federal monies as sources of added revenue.

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

The School District relies heavily on state foundation funding and property taxes. Changes in school foundation formulas, very little growth in tax valuations and loss of personal property tax revenue have held revenue growth to a minimum. The School District acknowledges the erosion of prior year carryover balances, as evidenced in the five-year forecast and continues to implement cost cutting measures: not filling administrative and teaching positions, filling required positions with lower paid employees, re-employing retired staff at lower paid salaries. The School District continues to implement cost saving measures for district utilities, building repairs and bus fuel.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

Contacting the School District's Financial Management

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

Bellaire Local School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,116,062
Accrued Interest Receivable	1,135
Intergovernmental Receivable	420,672
Investments	297,549
Prepaid Items	42,084
Materials and Supplies Inventory	74,333
Cash and Cash Equivalents with Fiscal Agents	123,000
Property Taxes Receivable	3,047,919
Non-Depreciable Capital Assets	718,812
Depreciable Capital Assets, Net	<u>22,123,403</u>
Total Assets	<u>28,964,969</u>
Liabilities	
Accounts Payable	26,040
Accrued Wages and Benefits Payable	1,609,553
Intergovernmental Payable	419,491
Matured Severance Payable	111,834
Vacation Benefits Payable	86,686
Accrued Interest Payable	15,429
Claims Payable	112,115
Deferred Revenue	2,430,748
Long-Term Liabilities:	
Due Within One Year	309,049
Due In More Than One Year	<u>4,598,275</u>
Total Liabilities	<u>9,719,220</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	19,664,669
Restricted for:	
Capital Projects	172,782
Debt Service	454,854
Classroom Facilities Maintenance	1,082,286
State Grants	525,076
Federal Grants	83,215
Title I Grant	42,962
Bus Purchase	50,183
Other Purposes	120,525
Unrestricted (Deficit)	<u>(2,950,803)</u>
Total Net Assets	<u><u>\$19,245,749</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$8,346,607	\$0	\$1,865,663	\$0	(\$6,480,944)
Special	2,100,238	741,421	1,003,046	0	(355,771)
Vocational	168,320	20,614	0	0	(147,706)
Support Services:					
Pupil	1,154,547	0	501,229	11,970	(641,348)
Instructional Staff	171,060	0	101,475	0	(69,585)
Board of Education	28,839	0	0	0	(28,839)
Administration	1,401,683	0	99,449	0	(1,302,234)
Fiscal	347,905	0	1,072	0	(346,833)
Operation and Maintenance of Plant	1,223,280	2,364	0	0	(1,220,916)
Pupil Transportation	1,126,055	0	176	14,479	(1,111,400)
Central	1,046	0	0	0	(1,046)
Operation of Non-Instructional Services	271,335	178,512	59,388	0	(33,435)
Food Service Operations	768,318	244,414	491,890	0	(32,014)
Extracurricular Activities	341,028	233,617	0	0	(107,411)
Interest and Fiscal Charges	200,483	0	0	0	(200,483)
<i>Total Governmental Activities</i>	<u>\$17,650,744</u>	<u>\$1,420,942</u>	<u>\$4,123,388</u>	<u>\$26,449</u>	<u>(12,079,965)</u>
General Revenues					
Property Taxes Levied for General Purposes					2,008,911
Property Taxes Levied for Capital Outlay					213,680
Property Taxes Levied for Debt Service					313,077
Property Taxes Levied for Classroom Facilities Maintenance					40,632
Grants and Entitlements not Restricted to Specific Programs					8,191,765
Gifts and Donations					1,000
Investment Earnings					96,060
Miscellaneous					88,509
<i>Total General Revenues</i>					<u>10,953,634</u>
Change in Net Assets					(1,126,331)
<i>Net Assets Beginning of Year</i>					<u>20,372,080</u>
<i>Net Assets End of Year</i>					<u>\$19,245,749</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$387,153	\$1,070,647	\$444,929	\$1,902,729
Investments	0	0	0	297,549	297,549
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	50,183	0	0	0	50,183
Receivables:					
Property Taxes	2,373,954	398,918	48,276	226,771	3,047,919
Intergovernmental	108,271	0	0	312,401	420,672
Interfund	204,315	0	0	171,722	376,037
Accrued Interest	0	0	0	1,135	1,135
Prepaid Items	36,012	0	1,774	4,298	42,084
Materials and Supplies Inventory	61,230	0	0	13,103	74,333
<i>Total Assets</i>	<u>\$2,833,965</u>	<u>\$786,071</u>	<u>\$1,120,697</u>	<u>\$1,471,908</u>	<u>\$6,212,641</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$5,920	\$0	\$0	\$20,120	\$26,040
Accrued Wages and Benefits	1,247,894	0	0	361,659	1,609,553
Matured Severance Payable	68,114	0	0	43,720	111,834
Interfund Payable	0	0	0	376,037	376,037
Intergovernmental Payable	320,110	0	0	99,381	419,491
Deferred Revenue	2,375,170	381,890	46,252	392,156	3,195,468
<i>Total Liabilities</i>	<u>4,017,208</u>	<u>381,890</u>	<u>46,252</u>	<u>1,293,073</u>	<u>5,738,423</u>
Fund Balances (Deficit)					
Reserved for Encumbrances	98,510	0	1,227	182,102	281,839
Reserved for Property Taxes	98,686	17,028	2,024	9,206	126,944
Reserved for Bus Purchases	50,183	0	0	0	50,183
Unreserved, Undesignated, Reported in:					
General Fund	(1,430,622)	0	0	0	(1,430,622)
Special Revenue Funds	0	0	1,071,194	(67,045)	1,004,149
Debt Service Fund	0	387,153	0	0	387,153
Capital Projects Funds	0	0	0	54,572	54,572
<i>Total Fund Balances(Deficit)</i>	<u>(1,183,243)</u>	<u>404,181</u>	<u>1,074,445</u>	<u>178,835</u>	<u>474,218</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,833,965</u>	<u>\$786,071</u>	<u>\$1,120,697</u>	<u>\$1,471,908</u>	<u>\$6,212,641</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances \$474,218

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

Capital assets used in governmental activities are not financial
resources and therefore are deferred in the funds. 22,842,215

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

Grants	173,456	
Property Taxes	490,227	
Tuition and Fees	99,902	
Interest	1,135	
	764,720	
Total		764,720

An internal service fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal service
fund are included in governmental activities in the statement of net assets. 174,035

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

General Obligation Serial/Term Bonds	3,090,000	
Vacation Benefits Payable	86,686	
Compensated Absences	1,729,778	
Capital Leases	87,546	
Accrued Interest Payable	15,429	
	(5,009,439)	
Total		(5,009,439)

Net Assets of Governmental Activities \$19,245,749

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,958,290	\$305,345	\$39,623	\$208,547	\$2,511,805
Intergovernmental	8,970,539	50,135	59,207	3,485,032	12,564,913
Interest	68,972	0	22,366	16,166	107,504
Tuition and Fees	870,566	0	0	48,730	919,296
Extracurricular Activities	0	0	0	233,617	233,617
Rent	2,364	0	0	0	2,364
Contributions and Donations	0	0	0	1,000	1,000
Charges for Services	16,567	0	0	374,196	390,763
Miscellaneous	17,163	0	0	71,346	88,509
<i>Total Revenues</i>	<u>11,904,461</u>	<u>355,480</u>	<u>121,196</u>	<u>4,438,634</u>	<u>16,819,771</u>
Expenditures					
Current:					
Instruction:					
Regular	6,465,769	0	0	1,140,530	7,606,299
Special	1,189,458	0	0	905,799	2,095,257
Vocational	170,118	0	0	0	170,118
Support Services:					
Pupil	545,528	0	0	602,744	1,148,272
Instructional Staff	1,359	0	0	109,449	110,808
Board of Education	23,797	0	0	0	23,797
Administration	1,196,834	0	0	176,054	1,372,888
Fiscal	315,120	7,239	1,058	7,728	331,145
Operation and Maintenance of Plant	1,467,515	0	7,843	2,158	1,477,516
Pupil Transportation	1,008,631	0	0	6,916	1,015,547
Operation of Non-Instructional Services	0	0	0	271,411	271,411
Food Service Operations	0	0	0	816,242	816,242
Extracurricular Activities	180,819	0	0	121,761	302,580
Capital Outlay	0	0	0	343,434	343,434
Debt Service:					
Principal Retirement	56,192	130,000	0	2,199	188,391
Interest and Fiscal Charges	12,138	188,468	0	429	201,035
<i>Total Expenditures</i>	<u>12,633,278</u>	<u>325,707</u>	<u>8,901</u>	<u>4,506,854</u>	<u>17,474,740</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(728,817)	29,773	112,295	(68,220)	(654,969)
Other Financing Sources (Uses)					
Transfers In	0	0	0	15,000	15,000
Transfers Out	(15,000)	0	0	0	(15,000)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>0</u>	<u>0</u>	<u>15,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(743,817)	29,773	112,295	(53,220)	(654,969)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(439,426)</u>	<u>374,408</u>	<u>962,150</u>	<u>232,055</u>	<u>1,129,187</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,183,243)</u>	<u>\$404,181</u>	<u>\$1,074,445</u>	<u>\$178,835</u>	<u>\$474,218</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$654,969)

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

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

Capital Outlay Additions	1,155,450	
Current Year Depreciation	(1,502,745)	
Total	(347,295)	(347,295)

Capital assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities. (6,804)

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

Grants	(223,311)	
Tuition and Fees	(125,098)	
Interest	(13,283)	
Property Taxes	64,495	
Total	(297,197)	(297,197)

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

General Obligation Bonds	130,000	
Capital Leases	58,391	
Total	188,391	188,391

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

Accrued Interest		552
------------------	--	-----

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Vacation Benefits Payable	(15,098)	
Compensated Absences	(16,063)	
Total	(31,161)	(31,161)

The internal service fund used by management to charge the costs of insurance to individual fund is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among governmental activities. 22,152

Change in Net Assets of Governmental Activities (\$1,126,331)

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$2,036,796	\$2,062,047	\$2,062,047	\$0
Intergovernmental	8,850,770	8,962,170	8,962,170	0
Interest	67,169	68,654	68,972	318
Tuition and Fees	860,169	870,566	870,566	0
Rent	2,364	2,364	2,364	0
Charges for Services	16,567	16,567	16,567	0
Miscellaneous	17,165	17,165	17,165	0
<i>Total Revenues</i>	<u>11,851,000</u>	<u>11,999,533</u>	<u>11,999,851</u>	<u>318</u>
Expenditures				
Current:				
Instruction:				
Regular	5,989,826	6,545,603	6,545,602	1
Special	984,897	1,144,674	1,144,674	0
Vocational	166,256	201,350	201,350	0
Support Services:				
Pupil	707,649	537,100	537,100	0
Board of Education	24,114	24,394	24,394	0
Administration	1,075,706	1,216,136	1,216,136	0
Fiscal	261,449	314,976	314,976	0
Operation and Maintenance of Plant	1,268,279	1,524,506	1,524,506	0
Pupil Transportation	843,387	1,001,597	1,001,597	0
Extracurricular Activities	163,439	180,936	180,936	0
<i>Total Expenditures</i>	<u>11,485,002</u>	<u>12,691,272</u>	<u>12,691,271</u>	<u>1</u>
Excess of Revenues Over (Under) Expenditures	365,998	(691,739)	(691,420)	319
Other Financing Use				
Transfers Out	(30,000)	(15,000)	(15,000)	0
<i>Net Change in Fund Balance</i>	335,998	(706,739)	(706,420)	319
<i>Fund Balance Beginning of Year</i>	640,919	640,919	640,919	0
Prior Year Encumbrances Appropriated	211,328	211,328	211,328	0
<i>Fund Balance End of Year</i>	<u>\$1,188,245</u>	<u>\$145,508</u>	<u>\$145,827</u>	<u>\$319</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$14,102	\$41,688	\$41,688	\$0
Intergovernmental	20,628	59,207	59,207	0
Interest	6,270	18,867	18,964	97
<i>Total Revenues</i>	<u>41,000</u>	<u>119,762</u>	<u>119,859</u>	<u>97</u>
Expenditures				
Current:				
Support Services:				
Fiscal	9,016	1,058	1,058	0
Operation and Maintenance of Plant	90,984	11,749	11,749	0
<i>Total Expenditures</i>	<u>100,000</u>	<u>12,807</u>	<u>12,807</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(59,000)	106,955	107,052	97
<i>Fund Balance Beginning of Year</i>	960,469	960,469	960,469	0
Prior Year Encumbrances Appropriated	2,239	2,239	2,239	0
<i>Fund Balance End of Year</i>	<u><u>\$903,708</u></u>	<u><u>\$1,069,663</u></u>	<u><u>\$1,069,760</u></u>	<u><u>\$97</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2008

	<u>Governmental Activity Internal Service Fund</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$163,150
Cash and Cash Equivalents with Fiscal Agents	<u>123,000</u>
<i>Total Assets</i>	<u>286,150</u>
Current Liabilities	
Claims Payable	<u>112,115</u>
<i>Total Liabilities</i>	<u>112,115</u>
Net Assets	
Unrestricted	<u>174,035</u>
<i>Total Net Assets</i>	<u><u>\$174,035</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$2,302,818
Operating Expenses	
Purchased Services	471,410
Claims	1,811,095
<i>Total Operating Expenses</i>	2,282,505
<i>Operating Income</i>	20,313
Non-Operating Revenues	
Interest	1,839
<i>Change in Net Assets</i>	22,152
<i>Net Assets Beginning of Year</i>	151,883
<i>Net Assets End of Year</i>	\$174,035

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$2,302,818
Cash Payments for Services	(471,410)
Cash Payments for Claims	(1,796,340)
	35,068
Cash Flows from Investing Activities	
Interest	1,839
	1,839
<i>Net Cash Provided by Investing Activities</i>	1,839
<i>Net Increase in Cash and Cash Equivalents</i>	36,907
<i>Cash and Cash Equivalents Beginning of Year</i>	249,243
<i>Cash and Cash Equivalents End of Year</i>	\$286,150
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$20,313
Increase in Claims Payable	14,755
	35,068
<i>Net Cash Provided by Operating Activities</i>	\$35,068
See accompanying notes to the basic financial statements	

Bellaire Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$34	\$58,048
Investments	5,000	0
<i>Total Assets</i>	5,034	\$58,048
Liabilities		
Due to Students	0	\$58,048
<i>Total Liabilities</i>	0	\$58,048
Net Assets		
Held in Trust for Scholarships	5,034	
<i>Total Net Assets</i>	\$5,034	

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust Fund
Deductions	
Scholarships Awarded	\$355
<i>Change in Net Assets</i>	(355)
<i>Net Assets Beginning of Year</i>	5,389
<i>Net Assets End of Year</i>	\$5,034

See accompanying notes to the basic financial statements

This page intentionally left blank.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1839 when Jacob Davis, Jr. became the first school teacher in Bellaire. The first schoolhouse was also erected in 1839. The current district was originally made up of schools in Bellaire, Key, Pultney and other outlying areas and one-room schools. The final consolidation of these districts was in January 1960 when the Key-Pultney District joined the Bellaire District. The Bellaire School District consolidated again in 2001 when seven elementary and middle school buildings were closed and the district moved to two new facilities. Bellaire Elementary School consists of grades kindergarten through fourth; Bellaire Middle School encompasses grades five through eight and Bellaire High School houses grades nine through twelve. The School District encompasses 48 square miles of rolling hills and small communities in Belmont County. The School District's eastern border is the Ohio River. The School District is staffed by 87 non-certificated employees, 123 full-time teaching personnel and 9 administrative employees who provide services to 1,375 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 bus garage.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

No separate governmental units meet the criteria for inclusion as a component unit.

The following activities are included within the reporting entity:

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Fund Accounting

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

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

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

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

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

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

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

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

The School District has cash with fiscal agent held separate from the School District's central bank account. This account is maintained by the School District's self-insurance third party administrator for medical and prescription drug coverage and is presented in the statement of net assets as "cash and cash equivalents with fiscal agents".

During fiscal year 2008, investments were limited to non-negotiable certificates of deposit, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, Federal Home Loan Mortgage Corporation Bonds, and repurchase agreements. Investments in the Federal Home Loan Bank Bond, the Federal National Mortgage Association Bond, the Federal Home Loan Mortgage Corporation Bonds, and the repurchase agreement, are reported at fair value, which is based on quoted market prices. Non-negotiable certificates of deposits are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$68,972 which includes \$51,710 assigned from other School District funds.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent unexpended resources restricted for the purchase of buses.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Internal Activity

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

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

N. Fund Balance Reserves

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include local resources restricted to expenditures for specified purposes. Of the total restricted net assets, none has resulted from enabling legislation.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is given the authority to further allocate appropriations among function and objects in all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the STRS and the SERS post-employment healthcare plans in the amount of \$10,126, and \$35,691, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. FUND DEFICITS

At June 30, 2008, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
General Fund	\$1,183,243
<u>Other Governmental Funds:</u>	
Food Service Special Revenue Fund	464,053
Poverty Based Assistance Special Revenue Fund	99,450

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The actual cash deficit in the Food Service Special Revenue Fund of \$376,037 was covered by cash from the General Fund, the Permanent Improvement Capital Projects Fund, and the Miscellaneous Local Special Revenue Fund. The deficit balance is due in part to a deficit cash balance and failure to adequately fund this program, as well as the application of generally accepted accounting principles. The School District approved a closed lunch for the 9th and 10th graders as well as offering new menu items to increase revenue for the food service program. At the March 10, 2008 meeting of the Board of Education, the Board made a motion to close the junior class lunch period for the 2008-2009 school year and approved a transfer of \$15,000 from the General Fund to the Food Service Fund for fiscal year 2008.

As of the date of this report, management has not made any formal long-term plans to address the deficit that remains in the Food Service Fund.

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

B. COMPLIANCE

At June 30, 2008, appropriations exceeded estimated revenue in the Food Service Fund by \$376,037.

Also, as of March 31, 2008 and October 31, 2007, the School District had several funds expenditures which exceeded appropriations at the legal level of control.

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Adjustments to record investments at market value are reported on the balance sheet (GAAP basis), but not on the budget basis.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balance		
	General	Classroom Facilities Maintenance
	General	Maintenance
GAAP Basis	(\$743,817)	\$112,295
Revenue Accruals	95,390	(997)
Investment Adjustment	0	(340)
Expenditure Accruals	50,678	(2,679)
Encumbrances	(108,671)	(1,227)
Budget Basis	(\$706,420)	\$107,052

NOTE 6 – DEPOSIT AND INVESTMENTS

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

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

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

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

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2008, the School District had a balance of \$123,000 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (see Note 18), which is a portion of the School District's internal service fund balance. The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$659,481 of the School District's bank balance of \$864,765 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments

As of June 30, 2008, the School District had the following investments, all of which are part of the internal investment pool:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Federal Home Loan Bank Bond	\$99,250	2/12/2013	5.97%	AAA	S&P
Federal Home Loan Mortgage Corporation Bond	103,972	4/16/2013	6.26%	AAA	S&P
Federal Home Loan Mortgage Corporation Bond	100,594	6/12/2013	6.05%	AAA	S&P
Federal National Mortgage Association Bond	99,250	4/1/2013	5.97%	AAA	S&P
Repurchase Agreement	<u>1,259,000</u>	7/1/2008	<u>75.75%</u>	N/A	N/A
Totals	<u><u>\$1,662,066</u></u>		<u><u>100.00%</u></u>		

Interest Rate Risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The School District's investment policy provides for the same provisions allowed by State Statute.

Credit Risk. The credit ratings for the School District's securities are listed above. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Bond, the Federal Home Loan Mortgage Corporation Bonds, and the Federal National Mortgage Association Bond are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District's policy provides that investments of the School District shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. The percentage of total investments is listed in the table above.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$98,686 in the General Fund, \$17,028 in the Debt Service Fund, \$9,206 in the Permanent Improvement Capital Projects Fund, and \$2,024 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$202,443 in the General Fund, \$34,949 in the Debt Service Fund, \$18,222 in the Permanent Improvement Capital Projects Fund, and \$4,089 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$97,429,030	87.28%	\$97,686,680	89.44%
Public Utility Personal	10,788,260	9.67%	9,952,320	9.11%
General Business Property	3,408,660	3.05%	1,582,230	1.45%
	<u>\$111,625,950</u>	<u>100.00%</u>	<u>\$109,221,230</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$34.50		\$34.50

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$490,227 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Excess Costs from Other School Districts	\$99,902
School Bus Reimbursement	8,369
Title I	136,318
IDEA Part B	101,856
Title V	1,663
Drug Free Schools	1,265
Title II-A	14,411
Title II-A-Non-Public	15,883
Title II-D	1,605
21th Century Grant	<u>39,400</u>
Total Intergovernmental Receivables	<u><u>\$420,672</u></u>

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Non-Depreciating Capital Assets:				
Land	\$718,521	\$291	\$0	\$718,812
Depreciating Capital Assets:				
Land Improvements	1,360,815	36,847	(6,200)	1,391,462
Buildings and Improvements	28,341,280	86,826	0	28,428,106
Furniture and Equipment	860,923	997,379	0	1,858,302
Vehicles	1,454,974	34,107	(22,082)	1,466,999
Textbooks	763,419	0	(763,419)	0
Total Depreciable Capital Assets	32,781,411	1,155,159	(791,701)	33,144,869
Accumulated Depreciation:				
Land Improvements	(470,075)	(68,934)	336	(538,673)
Buildings and Improvements	(7,407,645)	(905,269)	0	(8,312,914)
Furniture and Equipment	(535,811)	(457,442)	0	(993,253)
Vehicles	(1,126,668)	(71,100)	21,142	(1,176,626)
Textbooks	(763,419)	0	763,419	0
Total Accumulated Depreciation	(10,303,618)	(1,502,745)	784,897	(11,021,466)
Total Depreciable Capital Assets, Net	22,477,793	(347,586)	(6,804)	22,123,403
Governmental Capital Assets, Net	\$23,196,314	(\$347,295)	(\$6,804)	\$22,842,215

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$1,013,341
Special	4,594
Support Services:	
Pupil	2,038
Instructional Staff	60,557
Board of Education	5,042
Administration	7,223
Fiscal	11,887
Operation and Maintenance of Plant	188,319
Pupil Transportation	130,809
Central	1,046
Food Service Operations	39,441
Extracurricular	38,448
Total Depreciation Expense	\$1,502,745

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008 the School District contracted with Indiana Insurance for property and inland marine coverage, and for fleet insurance and liability insurance. Flood insurance was provided by the National Flood Insurance. Indiana Insurance Coverage's provided by Pilney-Foster Insurance Agency of Ohio are as follows:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. Employee Benefits

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of eighty-four members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. All employees were covered for medical/surgical and prescription drug coverage through the OME-RESA, self-insured plan.

The Board pays 90 percent of the premiums which are \$994.47 per family and \$383.54 for single for certified employees and \$1,079.97 per family and \$411.16 for single for the classified employees. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$112,115 reported in the internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

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

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at End</u> <u>of Year</u>
2007	\$9,321	\$1,364,086	\$1,276,047	\$97,360
2008	97,360	1,811,095	1,796,340	112,115

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$187,248, \$204,182, and \$179,643 respectively; 54.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$856,631, 828,797, and \$845,778 respectively; 85.57 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,755 made by the School District and \$10,270 made by the plan members.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$85,447, \$67,788, and \$62,692 respectively; 54.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$13,492, \$13,884, and \$14,298 respectively; 54.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$66,591, \$64,629, and \$62,715 respectively; 85.57 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 to 270 days for all employees. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 87.5 days for classified employees and 94.5 days for certified employees.

B. Other Insurance Benefits

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

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

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$124,659, which is equal to the present value of the minimum lease payments, net of the difference between the book value of the traded assets and the amount received for retirement of the existing lease, at the date of acquisition. A corresponding liability, net of the difference between the book

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

value of the traded assets and the amount received for retirement of the existing lease, was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$27,009. Principal payments in fiscal year 2008 totaled \$58,391, in the governmental funds.

Future minimum lease payments through 2010 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$64,827	\$6,131
2010	22,719	496
Total	<u>\$87,546</u>	<u>\$6,627</u>

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Principal Outstanding 6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/08</u>	<u>Amounts Due In One Year</u>
<u>General Obligation Bonds:</u>					
2000 School Facilities Bonds					
Term Bonds \$1,405,000 @ 6.0 %	\$1,405,000	\$0	\$0	\$1,405,000	\$0
Serial Bonds \$2,633,000 @ 4.2% to 5.8 %	1,815,000	\$0	130,000	1,685,000	145,000
Total General Obligation Bonds	<u>3,220,000</u>	<u>0</u>	<u>130,000</u>	<u>3,090,000</u>	<u>145,000</u>
Capital Leases	145,937	0	58,391	87,546	64,827
Compensated Absences	1,713,715	187,551	171,488	1,729,778	99,222
Total General Long-Term Obligations	<u>\$5,079,652</u>	<u>\$187,551</u>	<u>\$359,879</u>	<u>\$4,907,324</u>	<u>\$309,049</u>

On February 1, 2000, the School District issued \$4,038,000 in voted general obligation bonds for the purpose of retiring \$4,038,000 in bond anticipation notes that were issued for the purpose of constructing, acquiring, reconstructing, and making additions to classroom facilities under authority of and pursuant to the general laws of the State of Ohio, particularly Chapters 133 and 3318 of the Ohio Revised Code. The bonds were issued for a period of twenty-two years with a final maturity at December 1, 2021. Annual principal and interest requirements are being paid from the proceeds of a bond levy in the debt service fund.

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

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

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30	Term Bonds		Serial Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$0	\$84,300	\$145,000	\$97,119	\$145,000	\$181,419
2010	0	84,300	155,000	89,316	155,000	173,616
2011	0	84,300	165,000	80,050	165,000	164,350
2012	0	84,300	175,000	69,296	175,000	153,596
2013	0	84,300	185,000	57,866	185,000	142,166
2014-2018	0	421,500	860,000	105,406	860,000	526,906
2019-2022	1,405,000	136,050	0	0	1,405,000	136,050
Total	<u>\$1,405,000</u>	<u>\$979,050</u>	<u>\$1,685,000</u>	<u>\$499,053</u>	<u>\$3,090,000</u>	<u>\$1,478,103</u>

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

The School District's overall legal debt margin was \$6,924,800, with an unvoted debt margin of \$106,785 at June 30, 2008.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 16 – INTERNAL BALANCES

Interfund balances at June 30, 2008 consist of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	Interfund Receivable		
	General Fund	Non-Major Governmental	Total
Other Nonmajor Governmental	\$204,315	\$171,722	\$376,037

The loan to the Food Service Special Revenue Fund was to cover an actual cash deficit. The loan was covered by cash from the General Fund, and the Permanent Improvement and the Miscellaneous Local Non-Major Funds. The deficit cash balance is due to the failure to adequately fund this program. The School District approved closing the lunch period for 9th through 11th grade in order to increase revenue.

Interfund transfers for the year ended June 30, 2008 consisted of the following:

<u>Transfers from</u>	Transfers to Food Service Fund
General Fund	\$15,000

The transfer to the Food Service Fund was to help offset the current operating deficit.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District - The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2008, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) - The Ohio Mid-Eastern Regional Education Service Agency was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2008, the total amount paid to OME-RESA from the School District was \$102,389 for cooperative gas purchasing services and \$56,888 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

East Central Ohio Special Education Regional Resource Center (ECOSERRC) – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC. As of July 1, 2008 ECOSERRC ceased operations.

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

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008.

NOTE 18 – RISK SHARING, CLAIMS SERVICING, AND INSURANCE PURCHASING POOL

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool comprised of eighty-

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

NOTE 19 – RELATED ORGANIZATION

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

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

	Capital	
	Textbooks	Improvements
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0
Current Year Set-aside Requirement	182,491	182,491
Allowable Carry Forward at June 30, 2007	(3,113)	0
Current Year Offsets	0	(362,874)
Qualifying Disbursements	(215,611)	0
Totals	<u>(\$36,233)</u>	<u>(\$180,383)</u>
Allowable Carry Forward at June 30, 2007	\$0	(\$3,327,151)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$36,233)</u>	<u>(\$3,327,151)</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>

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

NOTE 21 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not party to any pending litigation.

This page intentionally left blank.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR Pass-Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed-Through Ohio Department of Education:						
Child Nutrition Cluster:						
School Breakfast Program	2007 / 2008	10.553	\$158,949		\$158,949	
National School Lunch Program	2007 / 2008	10.555				
Cash Assistance			344,512		344,512	
Non-Cash Assistance				\$22,058		\$22,058
Total Child Nutrition Cluster			503,461	22,058	503,461	22,058
Team Nutrition Grants	2008	10.574	2,500		88	
Total U.S. Department of Agriculture			505,961	22,058	503,549	22,058
U.S. DEPARTMENT OF EDUCATION						
Passed-Through Ohio Department of Education:						
Title I Grants to Local Educational Agencies	2007	84.010	84,880		120,954	
	2008		598,097		575,834	
Total Title I Grants to Local Educational Agencies			682,977	0	696,788	0
Special Education-Grants to States	2007	84.027	12,779		67,550	
	2008		406,829		391,112	
Total Special Education-Grants to States			419,608	0	458,662	0
Safe and Drug-Free Schools and Communities-State Grants	2007	84.186	67,050		4,062	
	2008		11,383		77,446	
Total Safe and Drug-Free Schools and Communities-State Grants			78,433	0	81,508	0
Twenty-First Century Community Learning Centers	2007	84.287			29,774	
	2008		183,904		183,904	
Total Twenty-First Century Community Learning Centers			183,904	0	213,678	0
State Grants for Innovative Programs	2007	84.298	(395)			
	2008		3,116		3,560	
Total State Grants for Innovative Programs			2,721	0	3,560	0
Education Technology State Grants	2007	84.318	(5,038)			
	2008		11,823		10,517	
Total Education Technology State Grants			6,785	0	10,517	0
Improving Teacher Quality State Grants	2007	84.367	29,011		29,009	
	2008		158,145		145,070	
Total Improving Teacher Quality State Grants			187,156	0	174,079	0
Total U.S. Department of Education			1,561,584	0	1,638,792	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through Belmont County Mental Health and Recovery Board:						
Substance Abuse and Mental Health Services- Projects of Regional and National Significance						
	2007	93.243	1,399		(369)	
	2008		15,129		15,129	
Total Substance Abuse and Mental Health Services- Projects of Regional and National Significance			16,528	0	14,760	0
Community-Based Child Abuse Prevention Grants	2007	93.590	26,832		1,969	
	2008		18,135		36,831	
Total Community-Based Child Abuse Prevention Grants			44,967	0	38,800	0
Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:						
Medical Assistance Program		93.778	365			
Total U.S. Department of Health and Human Services			61,860	0	53,560	0
Total Federal Awards Receipts and Expenditures			\$2,129,405	\$22,058	\$2,195,901	\$22,058

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

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS

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

CFDA Number	Grant Year	<u>Transfers- In</u>	<u>Transfers-Out</u>
84.298	2007		\$395
84.298	2008	\$395	
84.318	2007		5,038
84.318	2008	5,038	
	Total	<u>\$5,433</u>	<u>\$5,433</u>



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 20, 2009, wherein we noted the School District's Food Service Fund had a deficit cash fund balance as of June 30, 2008 and management does not have any long-term plans to reduce the deficit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider finding 2008-004 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

We also noted a certain internal control matter that we reported to the School District's management in a separate letter dated February 20, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-003.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 20, 2009.

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

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



Mary Taylor, CPA
Auditor of State

February 20, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Bellaire Local School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

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

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



Mary Taylor, CPA
Auditor of State

February 20, 2009

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education - Grants to States, CFDA #84.027; Improving Teacher Quality State Grants, CFDA #84.367
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

The following fund reflected negative cash fund balances throughout the year as noted:

As Of Date	Food Service Fund
June 30, 2008	\$376,037
March 31, 2008	492,093
December 31, 2007	486,125
October 31, 2007	525,939

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

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

The School District's Food Service Fund would qualify as a special fund; however, when applying the exceptions of Ohio Rev. Code Section 3315.20, the School District could not satisfy the conditions necessary to allow a deficit.

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

Officials' Response:

The School District Food Service Fund has been struggling financially for several years. The School District has instituted changes to the operation to increase revenue and decrease expenditures, and continues to make changes. The Board did approve a \$15,000 transfer in FY08 to work toward eliminating the deficit. The School District Treasurer does not advance to that fund as that would add confusion to the actual deficit amount.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-002

Noncompliance Citation

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

As of June 30, 2008, the following fund had appropriations, which exceeded estimated revenue:

Fund	Estimated Resources	Appropriations	Variance
Food Service	\$412,429	\$788,466	(\$376,037)

We recommend the Board of Education and the Treasurer monitor appropriations and estimated resources and file amendments as needed with the County Auditor to ensure that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. This will help to reduce the risk of disbursements exceeding actual revenues available and will add a measure of control over the School District's budgetary process.

Officials' Response:

The School District continues to work on eliminating the deficit in the Food Service Fund.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been properly appropriated.

As of March 31, 2008, the School District had expenditures which exceeded appropriations at the legal level of control in the following funds:

Fund Name	Appropriations	Expenditures	Variance
018 Principal Accounts	\$65,000	\$76,945	(\$11,945)
300 Athletic/Outdoor Education	140,000	246,403	(106,403)
439 Public Preschool	59,000	68,940	(9,940)
499 Miscellaneous State Grants	25,000	104,393	(79,393)
002 Bond Retirement	326,468	644,037	(317,569)
003 Permanent Improvement	298,000	354,736	(56,736)
006 Food Service	700,000	706,155	(6,155)
024 Self Insurance	150,000	1,760,093	(1,610,093)
007 Scholarship	250	2,000	(1,750)
022 Drug Free Consortium	35,000	35,572	(572)

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-003 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)

As of October 31, 2007, the School District had expenditures which exceeded appropriations at the legal level of control in the following funds:

Fund Name	Appropriations	Expenditures	Variance
300 Athletic/Outdoor Education	\$140,000	\$175,972	(\$35,972)
439 Public Preschool	59,000	65,940	(6,940)
499 Miscellaneous State Grants	25,000	40,393	(15,393)
002 Bond Retirement	326,468	638,871	(312,403)
024 Self Insurance	150,000	673,674	(523,674)
007 Scholarship	250	1,000	(750)

We recommend the Board of Education and the Treasurer compare expenditures to appropriations at the legal level of control on a monthly basis. If appropriations in addition to those already adopted are needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Treasurer should deny requests for payment when appropriations are not available.

Officials' Response:

The expenditures will be monitored more closely and amended as necessary.

FINDING NUMBER 2008-004

Significant Deficiency

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

During fiscal year 2008, the Treasurer only posted budgeted receipts and appropriations to the Uniform School Accounting System (USAS) for federal and state programs and student activity funds. No budget information was posted to the accounting system for the other funds until June 2008, including the General Fund.

As a result, School District management was unable to effectively monitor budget verses actual activity and violations of Ohio Rev. Code Sections 5705.39 and 5705.41(B) occurred.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-004 (Continued)

Significant Deficiency – Ohio Admin. Code Section 117-2-02(C)(1) (Continued)

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

Officials' Response:

The School District Treasurer monitors budget vs. actual activity by scrutinizing the monthly budgetary reports. Time constraints play a role in entering the many budgetary line items on the computer. The Treasurer will work more diligently to get these amounts posted to the computer system.

3. FINDINGS FOR FEDERAL AWARDS

None.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.10(H), Food Service Fund reflected negative cash fund balances throughout the year and at year-end.	No	Not Corrected; Reissued as Finding No 2008-001.
2007-002	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated revenue in several funds	No	Not Corrected; Reissued as Finding No. 2008-002.
2007-003	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the Self Insurance fund.	No	Not Corrected; Reissued as Finding No. 2008-003.



Mary Taylor, CPA
Auditor of State

BELLAIRE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2009**