



Dave Yost • Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Classroom Facilities Maintenance Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, to the basic financial statements, the School District was placed in Fiscal Emergency by the Ohio Department of Education on December 31, 2009 as the School District has suffered recurring losses from operations. Note 22 describes Management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2015

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Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Bellaire Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- Net position increased \$1,944,060.
- General revenues accounted for \$12,520,163 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$4,154,619 or 25 percent of total revenues of \$16,674,782.
- Total assets of governmental activities increased by \$565,027 primarily due to increases in cash and cash equivalents as revenues exceeded expenses. The increase was offset by decreases in intergovernmental receivables, and annual depreciation on capital assets. The School District's total liabilities decreased \$1,313,246 primarily due to the retirement of the Solvency Assistance Advance, and scheduled principal payments on long-term debt.
- The School District had \$14,730,722 in expenses related to governmental activities; only \$4,154,619 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues of \$12,520,163 were adequate to provide for these programs.
- Total Governmental Funds had \$16,734,936 in revenues and \$14,129,723 in expenditures, which resulted in an increase in governmental fund balances of \$2,605,213.

Using this Annual Financial Report

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

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Classroom Facilities Maintenance Special Revenue Fund, and the Debt Service Fund.

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

Reporting the District's Fiduciary Responsibilities

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

These activities are reported in two agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1			
Net Position			
Government Activities			
	2014	2013	Change
Assets			
Current and Other Assets	\$10,201,254	\$8,894,575	\$1,306,679
Capital Assets	17,724,923	18,466,575	(741,652)
Total Assets	27,926,177	27,361,150	565,027
Liabilities			
Long-Term Liabilities	3,033,626	3,410,914	(377,288)
Other Liabilities	1,514,625	2,450,583	(935,958)
Total Liabilities	4,548,251	5,861,497	(1,313,246)
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	2,649,147	2,714,934	(65,787)
Net Position			
Net Investment in Capital Assets	15,649,959	16,123,705	(473,746)
Restricted	3,591,326	3,553,571	37,755
Unrestricted (Deficit)	1,487,494	(892,557)	2,380,051
Total Net Position	\$20,728,779	\$18,784,719	\$1,944,060

Total assets of governmental activities increased \$565,027. Currents assets increased by \$1,306,679 primarily due to increases in cash and cash equivalents as revenues exceeded expenses, which was offset by decreases in intergovernmental receivables. Capital assets decreased \$741,652 due primarily to depreciation expense on depreciable capital assets.

The School District's total liabilities decreased \$1,313,246. Long-term liabilities decreased \$377,288, primarily due to annual debt service payments. Other liabilities decreased \$935,958 primarily due to the School District making the final payments to retire its State Solvency Advance Loan, as well as decreases in matured severance payable. The decrease in other liabilities was slightly offset by increases in claims payable.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal year 2014 compared to fiscal year 2013.

	Table 2		
	Changes in Net Position		
	Government Activities		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues			
<i>Program Revenue</i>			
Charges for Services and Sales	\$1,200,600	\$1,366,136	(\$165,536)
Operating Grants	2,954,019	3,134,657	(180,638)
Capital Grants and Contributions	0	9,310	(9,310)
<i>Total Program Revenue</i>	<u>4,154,619</u>	<u>4,510,103</u>	<u>(355,484)</u>
<i>General Revenue</i>			
Property Taxes	2,793,178	2,574,288	218,890
Grants and Entitlements	9,635,354	9,628,488	6,866
Gifts and Donations	32,684	11,843	20,841
Investments	18,378	16,044	2,334
Miscellaneous	40,569	46,918	(6,349)
<i>Total General Revenue</i>	<u>12,520,163</u>	<u>12,277,581</u>	<u>242,582</u>
Total Revenues	<u>16,674,782</u>	<u>16,787,684</u>	<u>(112,902)</u>
Program Expenses			
Instruction:			
Regular	5,833,441	5,885,648	(52,207)
Special	1,946,925	1,602,519	344,406
Vocational	47,449	113,896	(66,447)
Student Intervention Services	169,925	107,789	62,136
Support Services:			
Pupil	1,528,446	1,373,879	154,567
Instructional Staff	109,948	747,238	(637,290)
Board of Education	25,051	22,174	2,877
Administration	898,200	949,240	(51,040)
Fiscal	493,360	450,185	43,175
Operation and Maintenance of Plant	1,368,151	1,357,592	10,559
Pupil Transportation	1,081,268	989,254	92,014
Central	987	9,382	(8,395)
Operation of Non-Instructional Services	202,561	165,451	37,110
Food Service Operations	609,354	571,223	38,131
Extracurricular Activities	316,084	338,630	(22,546)
Interest and Fiscal Charges	99,572	142,723	(43,151)
Total Expenses	<u>14,730,722</u>	<u>14,826,823</u>	<u>(96,101)</u>
Increase in Net Position	1,944,060	1,960,861	(16,801)
Net Position Beginning of Year	<u>18,784,719</u>	<u>16,823,858</u>	<u>1,960,861</u>
Net Position End of Year	<u><u>\$20,728,779</u></u>	<u><u>\$18,784,719</u></u>	<u><u>\$1,944,060</u></u>

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

Property taxes made up approximately 17 percent of revenues for Bellaire Local School District in fiscal year 2014.

Charges for services and sales revenue decreased \$165,536 from fiscal year 2013 primarily due to decrease in tuition and fees related to excess cost reimbursements and open enrollment. Operating grants and contributions decreased \$180,638 from fiscal year 2013 due to decreases in federal grants.

Instruction comprises approximately 54 percent of governmental program expenses and increased \$287,888 from fiscal year 2013. The increases in special instruction and the decrease in instructional staff support services is the result of a change in the coding of expenses for teacher aides in these programs. In prior fiscal years, expenses for teacher aides were reported as instructional staff support services, rather than as special instruction. Of the instructional expenses, approximately 73 percent is for regular instruction, approximately 24 percent is for special instruction, approximately 1 percent is for vocational instruction, and approximately 2 percent is for student intervention services. Overall expenses reflect a slight decrease of \$96,101, as the School District continues to monitor spending.

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 2014 compared to fiscal year 2013. 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	
	2014	2013	2014	2013
Instruction:				
Regular	\$5,833,441	\$5,885,648	\$4,973,596	\$4,810,746
Special	1,946,925	1,602,519	307,404	883,872
Vocational	47,449	113,896	39,114	88,363
Student Intervention Services	169,925	107,789	100,597	107,789
Support Services				
Pupil	1,528,446	1,373,879	1,134,166	444,332
Instructional Staff	109,948	747,238	90,911	398,921
Board of Education	25,051	22,174	25,051	22,174
Administration	898,200	949,240	867,160	812,289
Fiscal	493,360	450,185	431,308	389,263
Operation and Maintenance of Plant	1,368,151	1,357,592	1,265,602	1,259,691
Pupil Transportation	1,081,268	989,254	1,081,268	989,254
Central	987	9,382	987	9,382
Operation of Non-Instructional Services	202,561	165,451	59,722	(8,358)
Food Service Operations	609,354	571,223	(280)	(130,446)
Extracurricular Activities	316,084	338,630	99,925	96,725
Interest and Fiscal Charges	99,572	142,723	99,572	142,723
Total Expenses	<u>\$14,730,722</u>	<u>\$14,826,823</u>	<u>\$10,576,103</u>	<u>\$10,316,720</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 72 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, 2014
Unaudited

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. The School District has three major funds, the General Fund, the Classroom Facilities Maintenance Special Revenue Fund, and the Debt Service Fund. The General Fund had revenues in the amount of \$13,755,321 and expenditures in the amount of \$11,195,582, which resulted in a fund balance increase of \$2,559,739. The Classroom Facilities Maintenance Special Revenue Fund had revenues in the amount of \$104,891 and expenditures in the amount of \$145,886, which resulted in a fund balance decrease of \$40,995. The Debt Service Fund had revenues in the amount of \$429,805 and expenditures in the amount of \$315,907 which resulted in a fund balance increase of \$113,898.

Budgeting Highlights

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

During the course of fiscal 2014 the School District amended its General Fund and the Classroom Facilities Maintenance Special Revenue Fund estimated resources, and the budgetary statements reflect both the original and final amounts. For the General Fund, estimated revenues varied as final budgeted intergovernmental revenues were greater than original estimates, as special education funding from Foundation increased. For the General Fund, actual revenues varied from final estimates as actual property taxes were slightly less than estimates, while increased intergovernmental estimated and actual revenues offset the difference. There was no variance between original and final appropriations; however actual expenditures for pupil transportation were higher than final appropriations in the General Fund. For the Classroom Facilities Maintenance Special Revenue Fund the variance between original budget and final budget reflected an increase in capital outlay appropriations. Actual intergovernmental revenues were greater than estimated; there was no significant variance between actual expenditures and budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014 the School District had \$17,724,923 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2014 balances compared to 2013:

Table 4
Capital Assets Net of Depreciation

	Government Activities	
	2014	2013
Land	\$718,812	\$718,812
Land Improvements	725,125	748,360
Buildings and Improvements	15,360,475	16,094,463
Furniture and Equipment	494,492	601,355
Vehicles	426,019	303,585
Totals	\$17,724,923	\$18,466,575

For more information on capital assets see Note 7 to the basic financial statements.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Debt

At June 30, 2014 the School District had \$2,154,076 in general obligation bonds and \$80,925 in capital leases outstanding.

Table 5 summarizes debt outstanding:

	Table 5	
	Outstanding Debt at Year End	
	Governmental Activities	
	2014	2013
2000 School Facilities Bonds		
Serial Bonds	\$210,000	\$405,000
2009 School Improvement Refunding Bonds		
Serial Bonds	1,395,000	1,395,000
Term Bonds	35,000	70,000
Capital Appreciation Bonds	249,996	249,996
CAB Accretion	160,037	123,015
Premium	104,043	117,049
Total General Obligation Bonds	2,154,076	2,360,060
Capital Leases	80,925	105,825
Total	\$ 2,235,001	\$ 2,465,885

See Note 14 for more detailed information on the School District's debt.

Economic Factors

The Bellaire Local School District continues to experience financial difficulty, as reflected in the financial statements. As the change in fund balances and net position reflect, the adopted spending reduction plan is making progress in addressing the fiscal issues. As the preceding information indicates, the School District relies heavily on State funding as well as property taxpayers. During fiscal year 2010, the School District was declared in Fiscal Emergency. The School District has received State Operating Advances in fiscal years 2010, 2011, and 2012 in the amounts of \$3,667,000, \$1,273,000, and \$1,775,000 respectively. These are zero interest advances of State Foundation funding that will be repaid through reductions of State Foundation revenue, each over a two year period. The last advance payment was made in June of 2014. The School District has implemented spending reduction plans as part of the requirements under the fiscal emergency legislation. The most recent reduction plan included an additional \$270,000 in cost savings beginning in fiscal year 2015. Overall since 2009, the School District has made reductions in excess of 5 million. As part of the plan to address the current financial situation, the School District placed a five-year, 8.72 Mill Emergency Tax Levy on the November 6, 2012 ballot, an 8.25 Mil Emergency Tax Levy on the May 7th, 2013 ballot and a 5.9 Mil Emergency Tax Levy on November 5th, 2013 all of which were defeated by the voters of the Bellaire Local School District. The School District is currently implementing the revised 2014 and 2015 recovery plan in order to become fiscally solvent.

Although the School District is experiencing financial difficulty, the School District obtained an "Excellent" rating on the state report card, and remains the Pride of the "All-American Town." The mission statement of the Bellaire Local School District is to "Strive to develop students who will become productive citizens in both school and later in the community.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

These students will be given the opportunity to develop healthy self-esteem, respectful attitudes, and a skill base that will prepare them to be successful adults.” Approximately 60 percent of the School District’s students are economically disadvantaged and 25 percent are identified as students with disabilities.

Subsequent to June 30, 2014, the School District became aware that during fiscal year 2014, the School District received approximately \$559,000 in excess transportation funding as a result of inaccurate information reported to the Department of Education. The value of the transportation adjustment was not material to the financial statements. The full value of the adjustment is being withheld from the fiscal year 2015 foundation funding, and will be fully repaid by June 30, 2015.

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 Darren Jenkins, Treasurer/CFO at Bellaire Local School District, 340 34th Street, Bellaire, Ohio 43906.

Bellaire Local School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,356,529
Accounts Receivable	68,720
Intergovernmental Receivable	527,288
Investments	14,821
Prepaid Items	2,535
Material and Supplies Inventory	78,221
Property Taxes Receivable	3,360,320
Cash and Cash Equivalents with Fiscal Agents	792,820
Non-Depreciable Capital Assets	718,812
Depreciable Capital Assets, Net	17,006,111
Total Assets	27,926,177
Liabilities	
Accounts Payable	73,494
Accrued Wages and Benefits Payable	821,410
Intergovernmental Payable	334,494
Matured Severance Payable	1,637
Vacation Benefits Payable	35,658
Accrued Interest Payable	5,084
Claims Payable	242,848
Long-Term Liabilities:	
Due Within One Year	452,673
Due In More Than One Year	2,580,953
Total Liabilities	4,548,251
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	2,649,147
Net Position	
Net Investment in Capital Assets	15,649,959
Restricted for:	
Capital Projects	550,403
Debt Service	958,380
Classroom Facilities Maintenance	1,185,405
State Programs	349,163
Federal Programs	156,980
Food Service	254,890
Other Purposes	136,105
Unrestricted	1,487,494
Total Net Position	\$20,728,779

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$5,833,441	\$715,367	\$144,478	(\$4,973,596)
Special	1,946,925	0	1,639,521	(307,404)
Vocational	47,449	0	8,335	(39,114)
Student Intervention Services	169,925	0	69,328	(100,597)
Support Services:				
Pupil	1,528,446	19,695	374,585	(1,134,166)
Instructional Staff	109,948	0	19,037	(90,911)
Board of Education	25,051	0	0	(25,051)
Administration	898,200	0	31,040	(867,160)
Fiscal	493,360	0	62,052	(431,308)
Operation and Maintenance of Plant	1,368,151	6,000	96,549	(1,265,602)
Pupil Transportation	1,081,268	0	0	(1,081,268)
Central	987	0	0	(987)
Operation of Non-Instructional Services	202,561	115,028	27,811	(59,722)
Food Service Operations	609,354	128,351	481,283	280
Extracurricular Activities	316,084	216,159	0	(99,925)
Interest and Fiscal Charges	99,572	0	0	(99,572)
<i>Total Governmental Activities</i>	<u>\$14,730,722</u>	<u>\$1,200,600</u>	<u>\$2,954,019</u>	<u>(10,576,103)</u>

General Revenues

Property Taxes Levied for General Purposes	2,181,405
Property Taxes Levied for Capital Outlay	204,120
Property Taxes Levied for Debt Service	364,635
Property Taxes Levied for Classroom Facilities Maintenance	43,018
Grants and Entitlements not Restricted to Specific Programs	9,635,354
Gifts and Donations	32,684
Investment Earnings	18,378
Miscellaneous	40,569
<i>Total General Revenues</i>	<u>12,520,163</u>
Change in Net Position	1,944,060
<i>Net Position Beginning of Year</i>	<u>18,784,719</u>
<i>Net Position End of Year</i>	<u><u>\$20,728,779</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Classroom Facilities Maintenance	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,938,571	\$1,174,359	\$866,739	\$1,265,543	\$5,245,212
Investments	0	0	0	14,821	14,821
Receivables:					
Property Taxes	2,624,845	51,659	441,574	242,242	3,360,320
Intergovernmental	129,916	0	0	397,372	527,288
Interfund	81,224	0	0	0	81,224
Prepaid Items	2,535	0	0	0	2,535
Materials and Supplies Inventory	61,230	0	0	16,991	78,221
<i>Total Assets</i>	<u>\$4,838,321</u>	<u>\$1,226,018</u>	<u>\$1,308,313</u>	<u>\$1,936,969</u>	<u>\$9,309,621</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$55,340	\$0	\$0	\$18,154	\$73,494
Accrued Wages and Benefits	666,197	0	0	155,213	821,410
Matured Severance Payable	1,637	0	0	0	1,637
Interfund Payable	0	0	0	81,224	81,224
Intergovernmental Payable	292,058	0	0	42,436	334,494
<i>Total Liabilities</i>	<u>1,015,232</u>	<u>0</u>	<u>0</u>	<u>297,027</u>	<u>1,312,259</u>
Deferred Inflows of Resources					
Property Taxes not Levied to					
Finance Current Year Operations	2,071,284	40,613	344,849	192,401	2,649,147
Unavailable Revenue	547,858	8,450	74,203	297,107	927,618
<i>Total Deferred Inflows of Resources</i>	<u>2,619,142</u>	<u>49,063</u>	<u>419,052</u>	<u>489,508</u>	<u>3,576,765</u>
Fund Balances					
Nonspendable					
Inventories	61,230	0	0	16,991	78,221
Prepays	2,535	0	0	0	2,535
Restricted for:					
Capital Projects	0	0	0	512,407	512,407
Debt Service	0	0	889,261	0	889,261
Classroom Facilities Maintenance	0	1,176,955	0	0	1,176,955
State Programs	0	0	0	301,163	301,163
Food Service	0	0	0	237,899	237,899
Other Purposes	0	0	0	136,105	136,105
Assigned to Purchases on Order	746,635	0	0	0	746,635
Unassigned	393,547	0	0	(54,131)	339,416
<i>Total Fund Balances</i>	<u>1,203,947</u>	<u>1,176,955</u>	<u>889,261</u>	<u>1,150,434</u>	<u>4,420,597</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,838,321</u>	<u>\$1,226,018</u>	<u>\$1,308,313</u>	<u>\$1,936,969</u>	<u>\$9,309,621</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014*

Total Governmental Fund Balances		\$4,420,597
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,724,923
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Intergovernmental	259,111	
Property Taxes	545,282	
Tuition and Fees	<u>123,225</u>	
Total		927,618
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		730,009
Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources are therefore are not reported in the funds.		(35,658)
In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(5,084)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General Obligation Bonds - Serial	1,605,000	
General Obligation Bonds - Term	35,000	
General Obligation Bonds - Capital Appreciation	249,996	
Accretion of Capital Appreciation Bonds Interest	160,037	
Premium	104,043	
Capital Leases	80,925	
Compensated Absences	<u>798,625</u>	
Total		<u>(3,033,626)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$20,728,779</u></u>

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, 2014

	General	Classroom Facilities Maintenance	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,205,272	\$43,505	\$369,603	\$205,784	\$2,824,164
Intergovernmental	10,728,855	61,386	60,202	1,739,705	12,590,148
Interest	12,100	0	0	2,165	14,265
Tuition and Fees	747,873	0	0	47,236	795,109
Extracurricular Activities	36,322	0	0	179,837	216,159
Rent	6,000	0	0	0	6,000
Gifts and Donations	2,708	0	0	29,976	32,684
Charges for Services	0	0	0	215,838	215,838
Miscellaneous	16,191	0	0	24,378	40,569
<i>Total Revenues</i>	<u>13,755,321</u>	<u>104,891</u>	<u>429,805</u>	<u>2,444,919</u>	<u>16,734,936</u>
Expenditures					
Current:					
Instruction:					
Regular	4,778,101	0	0	148,505	4,926,606
Special	1,262,854	0	0	662,318	1,925,172
Vocational	57,484	0	0	0	57,484
Student Intervention Services	101,205	0	0	68,720	169,925
Support Services:					
Pupil	985,981	0	0	513,568	1,499,549
Instructional Staff	30,951	0	0	23,909	54,860
Board of Education	20,261	0	0	0	20,261
Administration	847,840	0	0	39,748	887,588
Fiscal	466,953	1,180	10,176	0	478,309
Operation and Maintenance of Plant	1,326,297	37,976	0	3,166	1,367,439
Pupil Transportation	1,136,414	0	0	0	1,136,414
Operation of Non-Instructional Services	0	0	0	201,310	201,310
Food Service Operations	0	0	0	554,816	554,816
Extracurricular Activities	181,241	0	0	151,669	332,910
Capital Outlay	0	106,730	0	79,719	186,449
Debt Service:					
Principal Retirement	0	0	230,000	24,900	254,900
Interest and Fiscal Charges	0	0	75,731	0	75,731
<i>Total Expenditures</i>	<u>11,195,582</u>	<u>145,886</u>	<u>315,907</u>	<u>2,472,348</u>	<u>14,129,723</u>
<i>Net Change in Fund Balances</i>	2,559,739	(40,995)	113,898	(27,429)	2,605,213
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,355,792)</u>	<u>1,217,950</u>	<u>775,363</u>	<u>1,177,863</u>	<u>1,815,384</u>
<i>Fund Balances End of Year</i>	<u>\$1,203,947</u>	<u>\$1,176,955</u>	<u>\$889,261</u>	<u>\$1,150,434</u>	<u>\$4,420,597</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, 2014*

Net Change in Fund Balances - Total Governmental Funds \$2,605,213

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	352,568	
Current Year Depreciation	<u>(1,094,220)</u>	(741,652)

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

Intergovernmental	(775)	
Tuition and Fees	(32,506)	
Property Taxes	<u>(30,986)</u>	
Total		(64,267)

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

General Obligation Bonds - Serial	195,000	
General Obligation Bonds - Term	35,000	
Capital Leases	<u>24,900</u>	
Total		254,900

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

Accrued Interest	175	
Accretion on Capital Appreciation Bonds	<u>(37,022)</u>	
Total		(36,847)

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

Amortization of Bond Premium	13,006	
Vacation Benefits Payable	2,824	
Compensated Absences	<u>146,404</u>	
Total		162,234

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

(235,521)

Change in Net Position of Governmental Activities \$1,944,060

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$2,340,000	\$2,340,000	\$2,171,548	(\$168,452)
Intergovernmental	9,441,426	10,173,948	10,728,308	554,360
Interest	10,660	11,487	12,100	613
Tuition and Fees	658,877	709,996	747,873	37,877
Extracurricular Activities	32,000	34,482	36,322	1,840
Rent	5,286	5,696	6,000	304
Gifts and Donations	2,386	2,571	2,708	137
Miscellaneous	39,965	43,067	29,049	(14,018)
<i>Total Revenues</i>	<u>12,530,600</u>	<u>13,321,247</u>	<u>13,733,908</u>	<u>412,661</u>
Expenditures				
Current:				
Instruction:				
Regular	5,199,759	5,199,759	5,042,540	157,219
Special	1,279,963	1,279,963	1,266,976	12,987
Vocational	95,400	95,400	91,009	4,391
Student Intervention Services	101,205	101,205	101,205	0
Support Services:				
Pupil	983,673	983,673	930,834	52,839
Instructional Staff	57,900	57,900	57,332	568
Board of Education	15,700	15,700	20,261	(4,561)
Administration	880,507	880,507	837,929	42,578
Fiscal	430,500	430,500	463,031	(32,531)
Operation and Maintenance of Plant	1,290,250	1,290,250	1,532,903	(242,653)
Pupil Transportation	1,040,650	1,040,650	1,522,546	(481,896)
Extracurricular Activities	180,300	180,300	181,300	(1,000)
Debt Service:				
Principal Retirement	887,500	887,500	887,500	0
<i>Total Expenditures</i>	<u>12,443,307</u>	<u>12,443,307</u>	<u>12,935,366</u>	<u>(492,059)</u>
<i>Net Change in Fund Balance</i>	87,293	877,940	798,542	(79,398)
<i>Fund Balance Beginning of Year</i>	121,442	121,442	121,442	0
Prior Year Encumbrances Appropriated	<u>303,401</u>	<u>303,401</u>	<u>303,401</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$512,136</u></u>	<u><u>\$1,302,783</u></u>	<u><u>\$1,223,385</u></u>	<u><u>(\$79,398)</u></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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$43,000	\$43,000	\$42,781	(\$219)
Intergovernmental	21,900	21,900	61,386	39,486
Interest	2,800	2,800	0	(2,800)
<i>Total Revenues</i>	<u>67,700</u>	<u>67,700</u>	<u>104,167</u>	<u>36,467</u>
Expenditures				
Current:				
Support Services:				
Fiscal	1,750	1,750	1,180	570
Operation and Maintenance of Plant	31,136	67,902	69,659	(1,757)
Capital Outlay	39,069	107,348	106,730	618
<i>Total Expenditures</i>	<u>71,955</u>	<u>177,000</u>	<u>177,569</u>	<u>(569)</u>
<i>Net Change in Fund Balance</i>	(4,255)	(109,300)	(73,402)	35,898
<i>Fund Balance Beginning of Year</i>	1,187,396	1,187,396	1,187,396	0
Prior Year Encumbrances Appropriated	47,904	47,904	47,904	0
<i>Fund Balance End of Year</i>	<u>\$1,231,045</u>	<u>\$1,126,000</u>	<u>\$1,161,898</u>	<u>\$35,898</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2014

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$111,317
Cash and Cash Equivalents with Fiscal Agents	792,820
Accounts Receivable	<u>68,720</u>
<i>Total Assets</i>	<u>972,857</u>
Current Liabilities	
Claims Payable	242,848
Net Position	
Unrestricted	<u>730,009</u>
<i>Total Net Position</i>	<u><u>\$730,009</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Operating Revenues	
Charges for Services	\$2,116,964
Miscellaneous	<u>111,600</u>
<i>Total Operating Revenues</i>	<u>2,228,564</u>
Operating Expenses	
Purchased Services	884,484
Claims	<u>1,583,714</u>
<i>Total Operating Expenses</i>	<u>2,468,198</u>
<i>Operating Loss</i>	(239,634)
Non-Operating Revenues	
Interest	<u>4,113</u>
<i>Change in Net Position</i>	(235,521)
<i>Net Position Beginning of Year</i>	<u>965,530</u>
<i>Net Position End of Year</i>	<u><u>\$730,009</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$2,116,964
Other Operating Revenues	587,799
Cash Payments for Services	(884,484)
Cash Payments for Claims	(2,066,364)
	(246,085)
<i>Net Cash Used for Operating Activities</i>	(246,085)
Cash Flows from Investing Activities	
Interest	4,113
	4,113
<i>Net Cash Provided by Investing Activities</i>	4,113
<i>Net Decrease in Cash and Cash Equivalents</i>	(241,972)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,146,109
<i>Cash and Cash Equivalents End of Year</i>	\$904,137
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$239,634)
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(68,720)
Increase in Claims Payable	62,269
	(6,451)
<i>Net Cash Used for Operating Activities</i>	(\$246,085)

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$427,995	\$43,640
Cash and Cash Equivalents in Segregated Accounts	0	4,488
Investments	81,451	0
	509,446	48,128
Liabilities		
Undistributed Monies	0	\$4,488
Due to Students	0	43,640
	0	\$48,128
Net Position		
Held in Trust for Scholarships	509,446	
<i>Total Net Position</i>	\$509,446	

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Fund
Additions	
Interest	\$1
Deductions	
Scholarships Awarded	1,000
<i>Change in Net Position</i>	(999)
<i>Net Position Beginning of Year</i>	510,445
<i>Net Position End of Year</i>	\$509,446

See accompanying notes to the basic financial statements

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Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 68 non-certificated employees, 69 full-time teaching personnel and 7 administrative employees who provide services to 1,246 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 bus garage.

The School District, which had previously been declared to be in a state of "Fiscal Caution" and then "Fiscal Watch" by the Ohio Department of Education on April 24, 2009, and September 10, 2009, respectively, has been elevated to the state of "Fiscal Emergency." The School District did not provide an acceptable proposal to the Ohio Department of Education, and on December 31, 2009, the Auditor of State declared the School District to be in a state of "Fiscal Emergency." In accordance with State Statute, a five member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of the State Director of the Office of Budget and Management (or designee), the State Superintendent of Public Instruction (or designee), a resident/business owner within the School District appointed by the Belmont County Auditor, a local business person appointed by the Governor, and a parent with a child enrolled within the School District appointed by the State Superintendent of Public Instruction. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the School District Plan on May 5, 2010 which was submitted to the Ohio Department of Education for approval and was subsequently rejected. The Commission then adopted a revised School District Plan on September 29, 2010. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which was approved by the Ohio Department of Education on June 21, 2012, which included additional reductions in the amount of \$908,725. On October 14, 2013 a revised financial recovery plan was approved for fiscal year 2014 which included additional reductions in the amount of \$575,420. On October 6, 2014 a revised financial recovery plan was approved for fiscal year 2015.

Reporting Entity:

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

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

The School District is involved with six organizations; two jointly governed organizations, two insurance purchasing pool, one-risk sharing, claims servicing, and insurance purchasing pool, and one related organization. These organizations include the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), The Ohio School Plan (OSP), the Jefferson Health Plan Self-Insurance Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, and the Bellaire Public Library. These organizations are presented in Notes 17, 18, and 19.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

B. Fund Accounting

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

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

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

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.

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

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

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

C. Measurement Focus

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

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

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

The Private Purpose Trust Fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

Bellaire Local School District
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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 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". The School District utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as "Cash and Cash Equivalents with Fiscal Agents".

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

During fiscal year 2014, investments were limited to non-negotiable certificates of deposit. Non-negotiable certificates of deposits are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$12,100 which includes \$9,292 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. The School District has no restricted assets.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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 Position but are not reported in the fund financial statements.

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

All reported capital assets are depreciated except for land and construction in progress. 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:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

<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	5-20 Years

J. Interfund Balances

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

K. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that are paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and bonds are recognized as a liability on the governmental fund financial statements when due.

M. Bond Premiums and Discounts

On the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

N. Interfund Activity

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

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

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

O. Fund Balance

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

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

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

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing

Bellaire Local School District
Notes to the Basic Financial Statements
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resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Board of Education to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The amount assigned in the General Fund represents purchases on order at fiscal year end.

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

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

P. Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources from local sources restricted to expenditures for student programs. Of the restricted net position 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 position are available.

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

S. Estimates

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

T. Budgetary Data

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

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

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. The principal payments on State Solvency Assistance Loans are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

	Net Change in Fund Balance	
	General	Classroom Facilities Maintenance
GAAP Basis	\$2,559,739	(\$40,995)
Revenue Accruals	(21,413)	(724)
Expenditure Accruals	(55,874)	(19,222)
Debt Service - Principal	(887,500)	0
Encumbrances	(796,410)	(12,461)
Budget Basis	\$798,542	(\$73,402)

NOTE 4 - 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, 2014

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

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

At June 30, 2014, the School District's internal service fund had a balance of \$792,820 with Jefferson Health Plan Self Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 18). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the School District's bank balance was \$6,200,134. Of the bank balance, \$269,569 was covered by Federal depository insurance and the remaining balance of \$5,930,565 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes not levied to finance current year operations.

The amount available as an advance at June 30, 2014 was \$128,928 in the General Fund, \$22,522 in the Debt Service Fund, \$11,845 in the Permanent Improvement Capital Projects Fund, and \$2,596 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2013 was \$95,204 in the General Fund, \$16,654 in the Debt Service Fund, \$8,286 in the Permanent Improvement Capital Projects Fund, and \$1,872 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$104,856,340	89.93%	\$105,893,150	89.64%
Public Utility Personal	11,741,760	10.07%	12,240,040	10.36%
	<u>\$116,598,100</u>	<u>100.00%</u>	<u>\$118,133,190</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$34.50		\$34.50

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, interfund, intergovernmental grants, and tuition and fees. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal

Bellaire Local School District
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funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$545,282 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	\$123,225
Medicaid Reimbursement	6,691
Public Preschool Grant	48,000
Title I Grant	196,622
IDEA Part B Grant	112,112
Title II-A Improving Teacher Quality Grant	32,689
Elementary Childhood Counseling Grant	7,949
Total Intergovernmental Receivables	<u><u>\$527,288</u></u>

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Non-Depreciable Capital Assets:				
Land	\$718,812	\$0	\$0	\$718,812
Depreciable Capital Assets:				
Land Improvements	1,662,224	56,184	0	1,718,408
Buildings and Improvements	28,650,841	120,822	0	28,771,663
Furniture and Equipment	1,973,538	14,436	0	1,987,974
Vehicles	1,312,162	161,126	(107,449)	1,365,839
Total Depreciable Capital Assets	33,598,765	352,568	(107,449)	33,843,884
Accumulated Depreciation:				
Land Improvements	(913,864)	(79,419)	0	(993,283)
Buildings and Improvements	(12,556,378)	(854,810)	0	(13,411,188)
Furniture and Equipment	(1,372,183)	(121,299)	0	(1,493,482)
Vehicles	(1,008,577)	(38,692)	107,449	(939,820)
Total Accumulated Depreciation	(15,851,002)	(1,094,220)	107,449	(16,837,773)
Total Depreciable Capital Assets, Net	17,747,763	(741,652)	0	17,006,111
Governmental Capital Assets, Net	\$18,466,575	(\$741,652)	\$0	\$17,724,923

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$795,787
Special	21,033
Vocational	125
Support Services:	
Pupils	1,649
Instructional Staff	57,219
Board of Education	4,790
Administration	2,825
Fiscal	11,225
Operation and Maintenance of Plant	25,424
Pupil Transportation	96,149
Central	987
Food Service Operations	37,116
Non-Instructional Services	1,251
Extracurricular	38,640
Total Depreciation Expense	\$1,094,220

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 - RISK MANAGEMENT

A. Property, Fleet, 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 2014 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 18). The School District contracted with the Ohio School Plan for liability, property, and fleet insurance. The type and amount of coverage provided by Ohio School Plan follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$55,487,250
Automotive Liability (\$1,000 deductible)	3,000,000
Uninsured Motorist (\$1,000 deductible)	1,000,000
<i>General Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
Personal and Advertising Injury Limit - Each Occurrence:	3,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	3,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	3,000,000
<i>Employer's Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	3,000,000
Disease - Each Employee	3,000,000

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

B. Workers' Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

C. Employee Benefits

Medical/surgical and prescription drug are offered to employees through a self-insurance internal service fund. The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. The monthly premium for this coverage is \$654.15 for a single plan and \$1,588.65 for a family plan. The Board pays 90 percent and 85 percent of the premium for medical/surgical and prescription drug coverage for classified staff and certified staff respectively. The premium is paid from the fund that pays the salary of the covered employee.

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 \$62.02 per covered employee.

The claims liability of \$242,848 reported in the internal service fund at June 30, 2014 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.

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

<u>Program</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
Self Insurance - Health				
2013	\$201,066	\$1,892,758	\$1,913,245	\$180,579
2014	180,579	1,652,434 (1)	1,590,165 (2)	242,848
(1) Claims Expense		\$1,583,714		
Net Increase in Stop Loss Receivable		<u>68,720</u>		
Current Year Claims		<u>\$1,652,434</u>		
(2) Cash Payments for Claims			\$2,066,364	
- Stop Loss Received for 2014 Claims			<u>(476,199)</u>	
Claims Payments			<u>\$1,590,165</u>	

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and

Bellaire Local School District
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required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$238,458, \$253,536, and \$271,597, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

B. State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$477,001 and \$4,855 for the fiscal year ended June 30, 2014, \$557,111 and \$5,177 for the fiscal year ended June 30, 2013, and \$582,680 and \$5,096 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83.3 percent has been contributed for the DB plan and 83.3 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$596 made by the School District and \$468 made by the plan members. In addition, member contributions of \$3,815 were made for fiscal year 2014 for the portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, no member of the Board of Education has elected Social Security.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy - State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$34,937 in surcharge.

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

Bellaire Local School District
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The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,548, \$3,097, and \$11,762, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$13,824, \$14,322, and \$16,039, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$40,721, \$41,658, and \$44,520, respectively. For fiscal year 2014, 83.3 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 to 275 days for all employees. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 91 days for classified employees and 94.5 days for certified employees. All certified employees hired after July 1, 2012, will be paid at twenty-five percent of accrued, but unused sick leave credit to a maximum of 67.5 days for certified employees.

B. Other Insurance Benefits

The School District provides life insurance to all employees. A \$50,000 life insurance policy is purchased by the School District at a cost of \$8 per month. The School District contracts with Sun Life Insurance to provide this benefit. The School District provides vision insurance through Vision Service Plan at a cost of \$14.58 per month.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 - SOLVENCY ASSISTANCE ADVANCES

The School District participated in the State Solvency Assistance program in fiscal years 2010, 2011 and 2012. Based on program guidelines, the program allows for advances against the state foundation revenue to be provided at a zero percent rate to be repaid through deductions from the School District's state foundation receipts. Each advance is repaid in equal installments over the two subsequent fiscal years. See Going Concern - Note 22 for additional information. The following table summarizes the School District's participation in the State Solvency Assistance program.

<u>Fiscal Year</u>	<u>State Solvency Advance Received During Fiscal Year</u>	<u>State Solvency Advance Repaid During Fiscal Year</u>	<u>State Solvency Advance Outstanding as of Fiscal Year End</u>
2010	\$3,667,000	\$0	\$3,667,000
2011	1,273,000	1,833,500	3,106,500
2012	1,775,000	2,470,000	2,411,500
2013	0	1,524,000	887,500
2014	0	887,500	0

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$124,500, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$78,851. Principal payments in fiscal year 2014 totaled \$24,900, in the governmental funds.

Future minimum lease payments through 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2015	\$24,900
2016	24,900
2017	24,900
2018	6,225
Totals	<u><u>\$80,925</u></u>

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due In One Year
<u>General Obligation Bonds:</u>					
2000 School Facilities Bonds					
Serial Bonds \$2,633,000 @ 4.2% to 5.8 %	\$405,000	\$0	\$195,000	\$210,000	\$210,000
2009 School Improvement Refunding Bonds					
Serial Bonds \$1,395,000 @ 3.5%-4.0%	1,395,000	\$0	0	1,395,000	0
Term Bonds \$215,000 @ 2.0%-3.0%	70,000	0	35,000	35,000	35,000
CAB Bonds \$249,996 @ 3.9%-4.0%	249,996	0	0	249,996	0
CAB Accretion \$290,004 @ 9.697%	123,015	37,022	0	160,037	0
Premium \$169,073	117,049	0	13,006	104,043	0
Total 2009 Refunding Bonds	1,955,060	37,022	48,006	1,944,076	35,000
Total General Obligation Bonds	2,360,060	37,022	243,006	2,154,076	245,000
Capital Leases	105,825	0	24,900	80,925	24,900
Compensated Absences	945,029	107,965	254,369	798,625	182,773
Total General Long-Term Obligations	\$3,410,914	\$144,987	\$522,275	\$3,033,626	\$452,673

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30	Serial Bonds	
	Principal	Interest
2015	\$210,000	\$6,720

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

The capital appreciation bonds for this issue mature December 1, 2016 and 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$540,000. The accretion recorded for fiscal year 2014 was \$37,022, leaving a total bond liability of \$410,033.

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

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

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

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

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and Interest requirements to retire general obligation bonds for the 2009 School Improvement Refunding Bonds outstanding at June 30, 2014 are as follows:

Bellaire Local School District
Notes to the Basic Financial Statements
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Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2015	\$35,000	\$55,050	\$0	\$0	\$35,000	\$55,050
2016	255,000	50,063	0	0	255,000	50,063
2017	0	45,600	130,912	139,088	130,912	184,688
2018	0	45,600	119,084	150,916	119,084	196,516
2019	270,000	40,200	0	0	270,000	40,200
2020-2022	870,000	53,000	0	0	870,000	53,000
Totals	<u>\$1,430,000</u>	<u>\$289,513</u>	<u>\$249,996</u>	<u>\$290,004</u>	<u>\$1,679,996</u>	<u>\$579,517</u>

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

The School District's overall legal debt margin was \$9,631,252, with an unvoted debt margin of \$118,133 at June 30, 2014.

NOTE 15 - COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$796,410
Classroom Facilities Maintenance Fund	12,461
Other Non-major Governmental Funds	<u>196,505</u>
Total	<u>\$1,005,376</u>

NOTE 16 - INTERNAL BALANCES

Interfund balances at June 30, 2014 consist of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>
Interfund Payable	<u>General Fund</u>
Other Nonmajor Governmental Funds	<u>\$81,224</u>

The loans made to Other Nonmajor Governmental Funds were used to cover actual cash deficits in the Miscellaneous Federal and Title I Special Revenue Funds. The cash deficit was covered by cash and cash equivalents from the General Fund.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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. The Board exercises total control over the district including budgeting, appropriating, contracting, and designates management. During fiscal year 2014, 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 Information Technology Center Regional Council of Governments (Council) - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant’s control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2014, the total amount paid to OME-RESA from the School District was \$486 for cooperative gas purchasing services administrative fees, \$19,562 for technology services and \$21,372 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

NOTE 18 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP) - The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program, an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District’s enrollment fee of \$500 for policy year 2014 was paid to CompManagement, Inc.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

NOTE 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 operating subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Bellaire Public Library, Clerk/Treasurer, at 32nd and Guernsey Street, Bellaire, Ohio 43906.

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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

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

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District’s that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

funding of the set-aside requirement or the elimination of funding of the set-aside altogether. The Bellaire Local School District has been declared in fiscal emergency but has elected to fund the set-aside requirement for the capital improvement set-aside for fiscal year 2014.

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

	<u>Improvements</u>
Set-aside Restricted Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	210,529
Current Year Offsets	(338,692)
Totals	(\$128,163)
Balance Carried Forward to Fiscal Year 2015	\$0
Set-aside Restricted Balance as of June 30, 2014	\$0

The School District had current year offsets which reduced the set-aside amount to below zero for the capital maintenance set-aside, which may not be carried forward to future years. The School District also had prior year capital expenditures from bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

NOTE 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, 2014.

B. Litigation

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

NOTE 22 - GOING CONCERN

The School District was placed in Fiscal Caution on April 24, 2009 by the Ohio Department of Education. The School District did not submit a proposal to the Ohio Department of Education and with the concurrence of the Auditor of State, was declared in fiscal watch on September 10, 2009. On December 31, 2009, the School District was placed in Fiscal Emergency due to the failure to submit an acceptable financial recovery plan. The School District and Commission subsequently authorized a revised financial recovery plan on September 29, 2010. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which included additional reductions in the amount of \$908,725. The revised plan was approved on June 21, 2012. On October 14, 2013 a revised financial recovery plan was approved for fiscal year 2014 which included additional reductions in the amount of \$575,420. On October 6, 2014 a revised financial recovery plan was approved for fiscal year 2015.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Based on the most recent Commission-adopted five year forecast, the School District is projecting a positive cash and unreserved fund balance beginning in fiscal year 2015 and remaining positive for the remaining five years.

NOTE 23 - SUBSEQUENT EVENTS NOTE

A. Grants

For fiscal year 2015, the School District is part of a twenty-seven member consortium, led by Noble Local School District, that has been awarded Straight A grant funding from the Ohio Department of Education. The project aims to save money for the participating school districts by creating a shared services transportation consortium. The project has been awarded \$1,763,900, and has total projected cost savings of \$3,988,138.

B. Ongoing Contract Negotiations

As of the date of the Financial Statements, the School District is in contract negotiations with the certified staff represented by the Bellaire Education Association (BEA). The certified staff is currently working under an extension of the BEA contract which expired on June 30, 2014.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	N/A	10.555	\$30,460	\$30,460
Cash Assistance:				
School Breakfast Program	043570-05PU-13	10.553	173,459	173,459
National School Lunch Program	043570-LLP4-13	10.555	<u>301,457</u>	<u>301,457</u>
Cash Assistance Total			<u>474,916</u>	<u>474,916</u>
Total Child Nutrition Cluster			<u>505,376</u>	<u>505,376</u>
State Administrative Expenses for Child Nutrition		10.560	<u>9,310</u>	<u>9,310</u>
Total U.S. Department of Agriculture			514,686	514,686
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	043570-C1S1-13	84.010	229,819	180,329
	043570-C1S1-14		<u>359,772</u>	<u>429,773</u>
Total Title I Grants to Local Educational Agencies			589,591	610,102
Special Education, Grants to States (IDEA, Part B)	043570-6BSF-13	84.027	54,254	1,332
	043570-6BSF-14		<u>233,808</u>	<u>280,142</u>
Total Special Education, Grants to States (IDEA, Part B)			288,062	281,474
Improving Teacher Quality State Grants	043570-TRS1-13	84.367	52,393	30,108
	043570-TRS1-14		<u>97,021</u>	<u>119,205</u>
Total Improving Teacher Quality State Grants			149,414	149,313
Safe and Drug-Free Schools and Communities, National Program - Direct Program				
Safe Schools-Healthy Students Initiative Discretionary Grant - River School Initiative	Q184L080060	84.184L	14,908	14,413
Fund for the Improvement of Education - Direct Program				
Elementary and Secondary School Counseling Programs Discretionary/Competitive Grants	S215E130047	84.215E	<u>131,159</u>	<u>139,108</u>
Total U.S. Department of Education			<u>1,173,134</u>	<u>1,194,410</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,687,820</u>	<u>\$1,709,096</u>

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

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 27, 2015, wherein we noted the School District has been declared to be in Fiscal Emergency, as defined by the Ohio Revised Code and has suffered recurring losses from operations.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Bellaire Local School District's, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Finding identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Special Education – Grants to States (IDEA, Part B)

As described in Finding 2014-001 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Allowable Costs and Cost Principles applicable to its Special Education – Grants to States (IDEA, Part B) major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

Qualified Opinion on Special Education – Grants to States (IDEA, Part B)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education – Grants to States (IDEA, Part B)* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education – Grants to States (IDEA, Part B) for the year ended June 30, 2014.

The School District's response to our noncompliance Finding is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2014-001 to be a material weakness.

Bellaire Local School District
Belmont County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance Required by OMB Circular A-133
Page 3

The School District's response to our internal control over compliance finding is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2015

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**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies – Unmodified • Special Education, Grants to States (IDEA, Part B) – Unmodified except for Allowable Costs/Cost Principles was qualified 	
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies, CFDA #84.010 • Special Education, Grants to States (IDEA, Part B), CFDA #84.027 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDING FOR FEDERAL AWARDS

Finding Number	2014-001
CFDA Title and Number	Special Education - Grants to States (IDEA, Part B) CFDA #84.027
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Allowable Costs and Cost Principles

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

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

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

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

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

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

The School District did not provide single funded certifications for 33% of employees paid from the Special Education, Grants to States (IDEA, Part B) federal grant.

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

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

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDING FOR FEDERAL AWARDS (Continued)

Finding Number 2014-001 (Continued)

Officials' Response: See the Corrective Action Plan on page 67 for response.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	2 C.F.R Part 225, Appendix B, Section 8(h)(3), single funded certifications for employees paid from a federal program were not provided.	No	Not Corrected; Reissued as Finding No. 2014-001.
2013-002	34 C.F.R. 80.21(c), drawdowns were not spent within the period of time for which cash was requested.	Yes	N/A.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The Treasurer will meet with the Special Education Director and the Director of Federal Programs not less than quarterly. They will review the certified time and effort logs of those persons paid jointly from federal programs and General Fund and other multiple funds. Those time and effort logs will be compared to the Accounting Reports and certified by all parties for correctness. Copies of these signed reports will be maintained by the Treasurer, Special Education Director and the Director of Federal Programs.	June 30, 2015	Darren Jenkins, Treasurer

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BELLAIRE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 21, 2015**