



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Similar Trust Funds	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Trust Funds.....	9
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – All Proprietary Fund Types and Similar Trust Funds.....	12
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Similar Trust Funds.....	14
Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds.....	16
Notes to the General Purpose Financial Statements	18
Schedule of Federal Awards Receipts and Expenditures	45
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	46
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	49
Schedule of Findings - <i>OMB Circular A-133, Section .505</i>	51
Corrective Action Plan - <i>OMB Circular A-133 Section .315(c)</i>	53

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bellaire Local School District, Belmont County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

January 10, 2003

This page intentionally left blank.

This page intentionally left blank.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$298,563	\$1,174,757	\$255,686	\$1,935,078
Cash and Cash Equivalents:				
In Segregated Accounts	0	0	0	242,424
Investments:				
Investments	0	0	0	0
Investments in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	1,900,000	41,000	332,000	203,500
Accounts	13,986	0	0	0
Intergovernmental	240,361	160,353	0	0
Interfund Receivable	175,000	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	71,887	0	0	0
Prepaid Items	27,442	5,206	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	170,652	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided for Retirement of Debt Services	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$2,897,891	\$1,381,316	\$587,686	\$2,381,002

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$35,295	\$118,486	\$30,129	\$0	\$0	\$3,847,994
0	0	0	0	0	242,424
0	0	8,000	0	0	8,000
0	0	10,568	0	0	10,568
0	0	0	0	0	2,476,500
2,321	0	200	0	0	16,507
0	0	0	0	0	400,714
0	0	0	0	0	175,000
12,218	0	0	0	0	12,218
5,035	0	0	0	0	76,922
1,338	0	0	0	0	33,986
0	0	0	0	0	170,652
322,282	0	0	36,073,104	0	36,395,386
0	0	0	0	255,686	255,686
0	0	0	0	5,391,426	5,391,426
\$378,489	\$118,486	\$48,897	\$36,073,104	\$5,647,112	\$49,513,983

(continued)

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**COMBINED BALANCE SHEET (Continued)
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$8,229	\$2,352	\$0	\$0
Accrued Wages	927,016	168,624	0	0
Compensated Absences Payable	24,326	2,656	0	0
Intergovernmental Payable	189,851	25,687	0	0
Deferred Revenue	1,968,127	82,644	309,212	190,317
Interfund Payable	0	0	0	0
Retainage Payable	0	0	0	242,424
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Contracts Payable	0	0	0	862,514
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,117,549	281,963	309,212	1,295,255
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Unreserved Retained Earnings	0	0	0	0
Reserved for Encumbrances	121,421	91,513	0	27,118
Reserved for Inventory	71,887	0	0	0
Reserved for Property Taxes	119,430	2,973	22,788	13,183
Reserved for Endowments	0	0	0	0
Reserved for Budget Stabilization	60,163	0	0	0
Reserved for School Bus Purchases	49,822	0	0	0
Reserved for Textbooks & Instruction	60,667	0	0	0
Unreserved: Designated	12,244	0	0	0
Undesignated	(715,292)	1,004,867	255,686	1,045,446
Total Fund Equity and Other Credits	(219,658)	1,099,353	278,474	1,085,747
Total Liabilities, Fund Equity and Other Credits	\$2,897,891	\$1,381,316	\$587,686	\$2,381,002

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$10,581
43,653	0	0	0	0	1,139,293
22,819	0	0	0	1,590,250	1,640,051
21,956	0	0	0	92,251	329,745
0	0	0	0	0	2,550,300
175,000	0	0	0	0	175,000
0	0	0	0	0	242,424
0	0	26,320	0	0	26,320
0	5,417	0	0	0	5,417
0	0	0	0	0	862,514
0	0	0	0	129,611	129,611
0	0	0	0	3,835,000	3,835,000
263,428	5,417	26,320	0	5,647,112	10,946,256
0	0	0	36,073,104	0	36,073,104
386,381	0	0	0	0	386,381
(271,320)	113,069	3,469	0	0	(154,782)
0	0	0	0	0	240,052
0	0	0	0	0	71,887
0	0	0	0	0	158,374
0	0	15,568	0	0	15,568
0	0	0	0	0	60,163
0	0	0	0	0	49,822
0	0	0	0	0	60,667
0	0	0	0	0	12,244
0	0	3,540	0	0	1,594,247
115,061	113,069	22,577	36,073,104	0	38,567,727
\$378,489	\$118,486	\$48,897	\$36,073,104	\$5,647,112	\$49,513,983

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$1,799,136	\$41,376	\$316,952	\$198,596	\$0	\$2,356,060
Intergovernmental	8,250,205	2,554,215	42,412	2,121,168	0	12,968,000
Interest	44,622	11,547	0	95,874	174	152,217
Tuition and Fees	27,072	39,864	0	0	0	66,936
Rent	650	0	0	0	0	650
Extracurricular Activities	0	193,530	0	0	0	193,530
Customer Services	0	112,241	0	0	0	112,241
Miscellaneous	19,088	6,792	0	0	0	25,880
Total Revenues	10,140,773	2,959,565	359,364	2,415,638	174	15,875,514
Expenditures:						
Current:						
Instruction:						
Regular	4,735,964	743,989	0	0	250	5,480,203
Special	988,462	526,737	0	0	0	1,515,199
Vocational	189,843	0	0	0	0	189,843
Adult/Continuing	0	4,857	0	0	0	4,857
Other	402,483	0	0	0	0	402,483
Support Services:						
Pupils	343,229	854,584	0	106,070	0	1,303,883
Instructional Staff	59,049	59,317	0	0	0	118,366
Board of Education	16,995	0	0	0	0	16,995
Administration	1,095,065	166,745	0	0	0	1,261,810
Fiscal	205,099	11,103	7,269	4,533	0	228,004
Operation and Maintenance of Plant	1,193,509	2,167	0	0	0	1,195,676
Pupil Transportation	761,556	29,044	0	600	0	791,200
Central	0	(993)	0	0	0	(993)
Non-Instructional Services	0	279,303	0	0	0	279,303
Extracurricular Activities	159,486	211,485	0	0	0	370,971
Capital Outlay	0	15,586	0	8,212,550	0	8,228,136
Debt Service:						
Principal Retirement	0	0	100,000	51,822	0	151,822
Interest and Fiscal Charges	0	0	223,585	11,032	0	234,617
Total Expenditures	10,150,740	2,903,924	330,854	8,386,607	250	21,772,375
Excess of Revenues Over (Under) Expenditures	(9,967)	55,641	28,510	(5,970,969)	(76)	(5,896,861)
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	0	0	0	167,089	0	167,089
Inception of Capital Lease	0	0	0	158,277	0	158,277
Total Other Financing Sources	0	0	0	325,366	0	325,366
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(9,967)	55,641	28,510	(5,645,603)	(76)	(5,571,495)
Fund Balances (Deficit) at						
Beginning of Year	(231,005)	1,043,712	249,964	6,731,350	3,616	7,797,637
Decrease in Reserve for Inventory	21,314	0	0	0	0	21,314
Fund Balances (Deficits) at End of Year	(\$219,658)	\$1,099,353	\$278,474	\$1,085,747	\$3,540	\$2,247,456

See accompanying notes to the general purpose financial statements

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	-----General Fund-----			-----Special Revenue Funds-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,801,445	\$1,801,445	\$0	\$41,536	\$41,536	\$0
Intergovernmental	8,206,603	8,206,603	0	2,505,270	2,505,270	0
Interest	44,775	44,775	0	11,547	11,547	0
Tuition and Fees	26,881	26,881	0	39,864	39,864	0
Rent	650	650	0	0	0	0
Extracurricular Activities	0	0	0	193,530	193,530	0
Gifts and Donations	0	0	0	3,171	3,171	0
Customer Services	0	0	0	112,241	112,241	0
Miscellaneous	8,942	8,942	0	6,792	6,792	0
Total Revenues	10,089,296	10,089,296	0	2,913,951	2,913,951	0
Expenditures:						
Current:						
Instruction:						
Regular	4,790,399	4,672,688	117,711	786,368	724,246	62,122
Special	992,700	988,858	3,842	656,683	542,848	113,835
Vocational	206,589	204,736	1,853	0	0	0
Adult/Continuing	0	0	0	5,000	4,857	143
Other	445,836	430,999	14,837	0	0	0
Support Services:						
Pupils	341,248	340,486	762	1,048,846	870,783	178,063
Instructional Staff	59,091	58,971	120	63,758	60,421	3,337
Board of Education	17,817	17,255	562	0	0	0
Administration	1,100,336	1,097,004	3,332	204,093	165,531	38,562
Fiscal	210,119	206,621	3,498	11,529	11,278	251
Operation and Maintenance of Plant	1,258,961	1,247,788	11,173	2,167	2,167	0
Pupil Transportation	816,166	773,917	42,249	56,077	31,233	24,844
Central	0	0	0	(993)	(993)	0
Non-Instructional Services	0	0	0	463,780	363,452	100,328
Extracurricular Activities	161,150	160,374	776	192,308	236,633	(44,325)
Capital Outlay	0	0	0	25,000	15,586	9,414
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	10,400,412	10,199,697	200,715	3,514,616	3,028,042	486,574
Excess of Revenues Over (Under) Expenditures	(311,116)	(110,401)	200,715	(600,665)	(114,091)	486,574
Other Financing Sources and Uses:						
Transfers In	222,838	0	(222,838)	0	0	0
Advances In	23,940	23,940	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Transfers Out	(174,958)	0	174,958	0	0	0
Advances Out	(175,000)	(175,000)	0	0	0	0
Total Other Financing Sources/(Uses)	(103,180)	(151,060)	(47,880)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(414,296)	(261,461)	152,835	(600,665)	(114,091)	486,574
Fund Balances at Beginning of Year	466,517	466,517	0	1,070,022	1,070,022	0
Prior Year Encumbrances Appropriated	129,298	129,298	0	127,225	127,225	0
Fund Balances at End of Year	\$181,519	\$334,354	\$152,835	\$596,582	\$1,083,156	\$486,574

See accompanying notes to the general purpose financial statements

(continued)

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL (Continued)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	-----Debt Service Fund-----			-----Capital Projects Funds-----		Variance Favorable (Unfavorable)
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	
Revenues:						
Taxes	\$318,165	\$318,165	0	\$199,341	\$199,341	\$0
Intergovernmental	42,412	42,412	0	2,173,533	2,173,533	0
Interest	0	0	0	95,874	95,874	0
Tuition and Fees	0	0	0	0	0	0
Rent	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Customer Services	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	360,577	360,577	0	2,468,748	2,468,748	0
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	0	0	0
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	118,355	108,714	9,641
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	7,550	7,269	281	4,711	4,533	178
Operation and Maintenance of Plant	0	0	0	2,253	7,076	(4,823)
Pupil Transportation	0	0	0	600	600	0
Central	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	11,107,062	10,563,647	543,415
Debt Service:						
Principal Retirement	100,000	100,000	0	0	0	0
Interest and Fiscal Charges	223,585	223,585	0	0	0	0
Total Expenditures	331,135	330,854	281	11,232,981	10,684,570	548,411
Excess of Revenues Over (Under) Expenditures	29,442	29,723	281	(8,764,233)	(8,215,822)	548,411
Other Financing Sources and Uses:						
Transfers In	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	167,089	167,089	0
Transfers Out	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources/(Uses)	0	0	0	167,089	167,089	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures Other Financing (Uses)	29,442	29,723	281	(8,597,144)	(8,048,733)	548,411
Fund Balances at Beginning of Year	225,963	225,963	0	1,399,680	1,399,680	0
Prior Year Encumbrances Appropriated	0	0	0	7,694,499	7,694,499	0
Fund Balances at End of Year	\$255,405	\$255,686	\$281	\$497,035	\$1,045,446	\$548,411

See accompanying notes to the general purpose financial statements

-----Expendable Trust Funds-----			----- (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,360,487	\$2,360,487	\$0
0	0	0	12,927,818	12,927,818	0
174	174	0	152,370	152,370	0
0	0	0	66,745	66,745	0
0	0	0	650	650	0
0	0	0	193,530	193,530	0
0	0	0	3,171	3,171	0
0	0	0	112,241	112,241	0
0	0	0	15,734	15,734	0
174	174	0	15,832,746	15,832,746	0
250	250	0	5,577,017	5,397,184	179,833
0	0	0	1,649,383	1,531,706	117,677
0	0	0	206,589	204,736	1,853
0	0	0	5,000	4,857	143
0	0	0	445,836	430,999	14,837
0	0	0	1,508,449	1,319,983	188,466
0	0	0	122,849	119,392	3,457
0	0	0	17,817	17,255	562
0	0	0	1,304,429	1,262,535	41,894
0	0	0	233,909	229,701	4,208
0	0	0	1,263,381	1,257,031	6,350
0	0	0	872,843	805,750	67,093
0	0	0	(993)	(993)	0
0	0	0	463,780	363,452	100,328
0	0	0	353,458	397,007	(43,549)
0	0	0	11,132,062	10,579,233	552,829
0	0	0	100,000	100,000	0
0	0	0	223,585	223,585	0
250	250	0	25,479,394	24,243,413	1,235,981
(76)	(76)	0	(9,646,648)	(8,410,667)	1,235,981
0	0	0	222,838	0	(222,838)
0	0	0	23,940	23,940	0
0	0	0	167,089	167,089	0
0	0	0	(174,958)	0	174,958
0	0	0	(175,000)	(175,000)	0
0	0	0	63,909	16,029	(47,880)
(76)	(76)	0	(9,582,739)	(8,394,638)	1,188,101
3,615	3,615	0	3,165,797	3,165,797	0
0	0	0	7,951,022	7,951,022	0
\$3,539	\$3,539	\$0	\$1,534,080	\$2,722,181	\$1,188,101

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Contributions and Donations	\$0	\$0	\$13,939	13,939
Sales	212,088	0	0	212,088
Charges for Services	0	127,523	0	127,523
Interest	0	0	195	195
Other Revenue	2,321	0	0	2,321
Total Operating Revenue	214,409	127,523	14,134	356,066
Operating Expenses:				
Salaries	288,402	0	0	288,402
Fringe Benefits	120,391	0	0	120,391
Purchased Services	385	14,549	0	14,934
Materials and Supplies	46,908	0	0	46,908
Cost of Sales	237,395	0	0	237,395
Depreciation	1,926	0	0	1,926
Claims	0	82,762	0	82,762
Other Operating Expenses	0	0	750	750
Total Operating Expenses	695,407	97,311	750	793,468
Operating Income (Loss)	(480,998)	30,212	13,384	(437,402)
Non-Operating Revenues:				
Federal Donated Commodities	24,804	0	0	24,804
Operating Grants	325,669	0	0	325,669
Interest	158	0	0	158
Total Non-Operating Revenues	350,631	0	0	350,631
Net Income (Loss)	(130,367)	30,212	13,384	(86,771)
Retained Earnings/Fund Balance (Deficit) at Beginning of Year - Restated (Note 3)	(140,953)	82,857	5,653	(52,443)
Retained Earnings/Fund Balance (Deficit) at End of Year	(271,320)	113,069	19,037	(139,214)
Contributed Capital at Beginning of Year	76,845	0	0	76,845
Total Capital Contributed During the Year	309,536	0	0	309,536
Contributed Capital at End of Year	386,381	0	0	386,381
Total Fund Equity at End of Year	\$115,061	\$113,069	\$19,037	\$247,167

See accompanying notes to the general purpose financial statements

This page intentionally left blank.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR JUNE 30, 2002**

	----- Proprietary Fund Types -----					
	----- Enterprise Funds -----			----- Internal Service Funds -----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$212,088	\$212,088	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	127,523	127,523	0
Contributions and Donations	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Total Revenues	212,088	212,088	0	127,523	127,523	0
Expenses:						
Salaries	259,517	258,627	890	0	0	0
Fringe Benefits	134,250	133,726	524	95,000	95,000	0
Purchased Services	554	453	101	14,549	14,549	0
Materials and Supplies	267,188	263,441	3,747	0	0	0
Capital Outlay	250	224	26	0	0	0
Other	0	0	0	0	0	0
Total Expenses	661,759	656,471	5,288	109,549	109,549	0
Excess of Revenues Over (Under) Expenses	(449,671)	(444,383)	5,288	17,974	17,974	0
Non-Operating Revenues/Expenses:						
Interest	158	158	0	0	0	0
Federal and State Subsidies	325,669	325,669	0	0	0	0
Advances In	175,000	175,000	0	0	0	0
Advances Out	(23,940)	(23,940)	0	0	0	0
Total Non-Operating Revenues/Expenses	476,887	476,887	0	0	0	0
Excess Of Revenues and Other Non-Operating Revenues Over/(Under) Expenses and Other Non-Operating Expenses	27,216	32,504	5,288	17,974	17,974	0
Fund Equity at Beginning of Year	1	1	0	95,677	95,677	0
Prior Year Encumbrances Appropriated	2,242	2,242	0	0	0	0
Fund Equity at End of Year	\$29,459	\$34,747	\$5,288	\$113,651	\$113,651	\$0

See accompanying notes to the general purpose financial statements

(continued)

----- Fiduciary Fund Type ----- ----- Nonexpendable Trust Funds -----			Totals ----- (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$212,088	\$212,088	\$0
0	0	0	127,523	127,523	0
3,171	13,739	10,568	3,171	13,739	10,568
216	216	0	216	216	0
3,387	13,955	10,568	342,998	353,566	10,568
0	0	0	259,517	258,627	890
0	0	0	229,250	228,726	524
0	0	0	15,103	15,002	101
0	0	0	267,188	263,441	3,747
0	0	0	250	224	26
1,433	1,333	(100)	1,433	1,333	100
1,433	1,333	(100)	772,741	767,353	5,388
1,954	12,622	10,668	(429,743)	(413,787)	15,956
0	0	0	158	158	0
0	0	0	325,669	325,669	0
0	0	0	175,000	175,000	0
0	0	0	(23,940)	(23,940)	0
0	0	0	476,887	476,887	0
1,954	12,622	10,668	47,144	63,100	15,956
5,452	5,452	0	101,130	101,130	0
0	0	0	2,242	2,242	0
\$7,406	\$18,074	\$10,668	\$150,516	\$166,472	\$15,956

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Fiduciary Fund Type			Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Proprietary Fund Types				
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$212,088	\$0	\$0	\$212,088
Cash Received from Contributions & Donations	0	0	13,739	13,739
Cash Rcv'd from Quasi-External Trans. W/Other Funds	0	127,523	0	127,523
Cash Payments to Suppliers for Goods and Services	(263,569)	(14,549)	0	(278,118)
Cash Payments to Employees for Services	(258,627)	0	0	(258,627)
Cash Payments for Employee Benefits	(133,726)	0	0	(133,726)
Cash Payments for Claims	0	(90,165)	0	(90,165)
Cash Payments for Scholarships	0	0	(750)	(750)
Net Cash Provided by (Used for) Operating Activities	(443,834)	22,809	12,989	(408,036)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	325,669	0	0	325,669
Advances In	175,000	0	0	175,000
Advances Out	(23,940)	0	0	(23,940)
Net Cash Provided by Noncapital Financing Activities	476,729	0	0	476,729
Cash Flows from Investing Activities:				
Interest on Investments	158	0	216	374
Net Cash Provided by Investing Activities	158	0	216	374
Net Increase in Cash and Cash Equivalents	33,053	22,809	13,205	69,067
Cash and Cash Equivalents at Beginning of Year	2,242	95,677	632	98,551
Cash and Cash Equivalents at End of Year	\$35,295	\$118,486	\$13,837	\$167,618

(continued)

BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(continued)

	---Proprietary Fund Types---		Fiduciary	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(\$480,998)	\$30,212	\$13,384	(\$437,402)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	1,926		0	1,926
Donated Commodities Used During Year	24,804	0	0	24,804
Non-Expendable Trust Fund Interest	0	0	(216)	(216)
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(2,321)	0	(200)	(2,521)
Increase in Prepaid Items	(753)	0	0	(753)
Increase in Inventory Held for Resale	(2,207)	0	0	(2,207)
Increase in Materials and Supplies Inventory	(895)	0	0	(895)
Increase in Accrued Wages	5,610	0	0	5,610
Increase in Compensated Absences Payable	4,295	0	0	4,295
Increase in Intergovernmental Payable	6,705	0	0	6,705
Decrease in Accrued Interest Receivable	0	0	21	21
Decrease in Claims Payable	0	(7,403)	0	(7,403)
Total Adjustments	37,164	(7,403)	(395)	29,366
Net Cash Provided by (Used for) Operating Activities	(\$443,834)	\$22,809	\$12,989	(\$408,036)
Reconciliation:				
Cash and Cash Equivalents - All Fiduciary Funds	\$30,129			
Investments in Segregated Accounts	\$10,568			
Cash and Cash Equivalents - Agency Funds	(26,321)			
Cash and Cash Equivalents - Expendable Trust Funds	(539)			
Cash and Cash Equivalents - Nonexpendable Trust Funds	\$13,837			

See accompanying notes to the general purpose financial statements

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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/or 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 District's most eastern border is the Ohio River. The district is staffed by 75 non-certificated employees, 125 full-time teaching personnel and 15 administrative employees who provide services to 1,600 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 bus garage.

Reporting Entity:

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

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

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

The following activities are included within the reporting entity:

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

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The School District participates in six organizations that are defined as three jointly governed organizations, two insurance purchasing pools and one related organization. These organizations include the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the East Central Ohio Special Education Regional Resource Center (ECO SERRC), the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan and the Bellaire Library. These organizations are presented in Notes 19, 20, and 21 to the general purpose financial statements.

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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - Internal service funds account 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.

Fiduciary Fund Types:

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trusts, a non-expendable trust and agency funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary and nonexpendable trust funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary and nonexpendable trust funds.

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 with sixty days of fiscal year end.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level for the General Fund, and at the fund level for all other funds. The treasurer has the authority to further allocate fund appropriations passed by the Board of Education. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances In and Out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Belmont County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time final appropriations were approved.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the function level for the General Fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. 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 School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Except for nonparticipating investments contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. During fiscal year 2002, investments were limited to STAROhio, a money market mutual fund, and nonnegotiable certificates of deposit.

The School District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investments purposes. STAROhio is not registered with the SEC as an investments company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment would be sold for on June 30, 2002.

Under existing 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 2002 amounted to \$44,622 which includes \$36,940 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization and for textbook and materials purchases. See Note 22 for additional information regarding set-asides.

F. 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.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Interest incurred during the construction of general fixed assets is not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. Long-term interfund loans are classified as “advances to/from other funds” and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

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 School District 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 all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after twenty years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year-end are considered not to have been paid with current financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary fund operations are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for textbooks and materials is for money required to be set-aside by statute to be utilized for instructional textbooks and materials. The reserve for budget stabilization represents unspent workers' compensation money.

O. Contributed Capital

Contributed capital is recorded in proprietary funds that have received contributions from other funds, other governments, and private sources provided to proprietary funds prior to fiscal year 2002. When capital contributions are received, the receipt will be recorded as revenues and are reported as increases in retained earnings based on new guidelines established by GASB Statement 33, "Accounting and Reporting for Nonexchange Transactions."

Capital contributed from other funds will continue to be recorded as additions to contributed capital.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - RESTATEMENT OF FUND BALANCE

The School District changed its fixed asset capitalization threshold from \$500 to \$1,000, in preparation for future general purpose financial statements. The Food Service Fund fixed assets were decreased by \$2,399 in fixed assets and \$11,270 in accumulated depreciation, for a net decrease of \$13,669. The new balance as of June 30, 2001, is \$14,672.

NOTE 4 - ACCOUNTABILITY

At June 30, 2002, the following funds had deficit fund balances:

	<u>Fund Balance</u>
General Fund	\$219,658
<u>Special Revenue Funds:</u>	
DPIA Fund	73,548
OWA Stipends - Fund 524	4,857

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The deficit in the General Fund was created by the application of generally accepted accounting principles. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending. The Special Revenue Funds' deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Similar Trust Funds 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Similar Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$9,967)	\$55,641	\$28,510	(\$5,645,603)	(\$76)
Revenue Accruals	(51,477)	(45,614)	1,213	(105,167)	0
Expenditure Accruals	85,903	(30,253)	0	(1,165,907)	0
Advances In	23,940				
Advances Out	(175,000)	0	0	0	0
Encumbrances	(134,860)	(93,865)	0	(1,132,056)	0
Budget Basis	<u>(\$261,461)</u>	<u>(\$114,091)</u>	<u>\$29,723</u>	<u>(\$8,048,733)</u>	<u>(\$76)</u>

Net Income (Loss)/Excess of Revenues and Other Non-Operating Revenues
Over/(Under) Expenses and Other Non-Operating Expenses
All Proprietary Fund Types and Similar Trust Funds

	Enterprise	Internal Service	Non-Expendable Trust
GAAP Basis	(\$130,367)	\$30,212	\$13,384
Revenue Accrual	(27,125)	0	(179)
Expense Accrual	37,559	(7,403)	0
Advances In	175,000	0	0
Depreciation Expense	1,926	0	0
Advance Out	(23,940)	0	0
Encumbrances	(549)	(4,835)	(583)
Budget Basis	<u>\$32,504</u>	<u>\$17,974</u>	<u>\$12,622</u>

NOTE 6 - CASH AND CASH EQUIVALENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Inactive deposits are public deposits that the Board of Education 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.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classification by at least two nationally recognized rating agencies.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$2,166,319 and the bank balance was \$2,713,078. Of the bank balance:

\$205,419 was covered by federal depository insurance (FDIC);

\$2,317,719 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation; and

\$189,940 was uninsured and uncollateralized.

Securities pledged to the School District by Progressive Bank were ineligible under the provisions of Ohio Rev. Code Section 135.18. Such securities were held by the financial institution's trust department in the School District's name; however, the securities were for out of state subdivisions.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAROhio and the money market mutual fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Unclassified	Carrying and Fair Value
Common Stock	\$10,568	\$0	\$10,568
STAROhio	0	7,855	7,855
Money Market Mutual Fund	0	2,094,896	2,094,896
Total	\$10,568	\$2,102,751	\$2,113,319

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$4,261,070	\$18,568
Investments:		
Certificates of Deposit	8,000	(8,000)
Money Market Mutual Fund	(2,094,896)	2,094,896
STAROhio	(7,855)	7,855
GASB Statement 3	\$2,166,319	\$2,113,319

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

Real property taxes are levied after April 1, 2002 on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2002 on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$74,910,010	79.76%	\$75,200,720	82.43%
Public Utility Personal	14,967,720	15.94%	10,814,380	11.85%
Tangible Personal	4,037,100	4.30%	5,212,520	5.72%
	\$93,914,830	100.00%	\$91,227,620	100.00%
Tax Rate per \$1,000 of assessed valuation		\$34.83		\$34.83

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2002 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance, at June 30, 2002 was \$158,374 and is recognized as revenue. Of the total, \$119,430 was available to the General Fund, \$22,788 was available to the Debt Service Fund, \$13,183 was available to the Permanent Improvement Fund, and \$2,973 was available to the Classroom Maintenance Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	\$240,361
Special Revenue Funds:	
Ohio Family and Children First	15,736
Eisenhower	1,319
Title VIB	1,440
Title I	11,719
Title VI	5,487
E-Rate	4,656
Drug Free	9,465
Title IVR	10,531
Miscellaneous Federal Grants	100,000
Total Special Revenue Funds	<u>160,353</u>
Total Intergovernmental Receivables	<u><u>\$400,714</u></u>

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$331,478
Vehicles	4,000
Subtotal	335,478
Less Accumulated Depreciation	(13,196)
Net Fixed Assets	\$ 322,282

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$1,165,851	\$511,416	\$192,216	\$1,485,051
Buildings and Improvements	4,937,175	25,493,247	1,442,629	28,987,793
Furniture, Fixtures and Equipment	2,268,612	1,411,081	208,354	3,471,339
Vehicles	1,350,260	3,062	55,200	1,298,122
Construction in Progress	21,210,453	0	21,210,453	0
Textbooks & Library Books	830,799	0	0	830,799
Totals	\$31,763,150	\$27,418,806	\$23,108,852	\$36,073,104

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002 the School District contracted with Nationwide Insurance for property, fleet and inland marine coverage. Coverage was provided as follows:

Building and Contents – replacement cost (\$500 deductible)	\$63,129.900
Inland Marine Coverage (\$100 deductible)	76,450
Boiler and Machinery (\$1,000 deductible)	18,517.900
Flood Insurance (\$1,000 deductible)	98,400
Automobile Liability (-0- deductible)	1,000,000
Uninsured Motorists (-0-) deductible)	1,000,000

During fiscal year 2002, the School District joined together with other school district 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 selected. The School District pays this annual premium to the OSP. (See Note 20)

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products – Completed Operations Aggregate Limit	1,000,000
Personal and Advertising Injury Limit – Each Offense	10,000
Fire Damage Limit – Any One Event	500,000
Excess Liability:	
Each Occurrence	2,000,000
Aggregate Limit	2,000,000
Employer’s Liability:	
Each Occurrence	1,000,000
Disease – Each Employee	1,000,000

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. The School District pays the State a rate per \$100 of salaries for workers’ compensation.

C. Workers’ Compensation

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Other Employee Benefits

Dental insurance is offered to employees through a self-insurance internal service fund. The School District contracts with a third-party administrator to handle stop-loss coverage. The School District moves the monthly premiums to an internal service fund until claims are paid for by the dental insurance carrier. The cost of the actual claims is paid from the internal service fund after the claims are paid. The claims liability of \$ 5,417 reported in the internal service fund at June 30, 2002 is based on an estimate provided by the third-party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

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

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at End <u>of Year</u>
2001	\$11,077	\$95,241	\$93,498	\$12,820
2002	12,820	82,762	90,165	5,417

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$89,402, \$64,063 and \$69,857 respectively; 55.11 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$40,133 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$589,916, \$558,427 and \$303,445, respectively; 82.73 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$101,896 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$258,071 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$184,339.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components 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. 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 240 to 265 days for all personnel. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 84 days for classified employees and 93 days for certified employees.

B. Health/Life Insurance

The School District contracts with a local health management organization, Health Plan of the Upper Ohio Valley, for hospitalization, prescription and major medical insurance for all employees. The School District pays monthly premiums of up to \$768.52 for family coverage and up to \$302.36 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

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 \$12.00 a month. The School District contracts with Kanahwa National Term Life Insurance to provide this benefit. The School District provides vision insurance through Vision Service Plan at a cost of \$13.15 per month. Dental insurance is purchased by the School District at a cost of \$54.00 per month from Medical Mutual of Ohio.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures.

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

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$135,042 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$51,822 in the governmental funds.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Future minimum lease payments through 2005 are as follows:

<u>Year</u>	<u>Amount</u>
2003	\$37,257
2004	38,469
2005	38,469
2006	38,469
2007	<u>12,294</u>
Total	164,958
Less: Amount Representing Interest	<u>(35,347)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$129,611</u></u>

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Principal Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/02</u>
School Facilities Bond				
Variable Interest	\$3,935,000	\$0	\$100,000	\$3,835,000
Other Long Term Obligations:				
Compensated Absences	1,635,517	104,730	149,997	1,590,250
Intergovernmental Payable	70,610	92,251	70,610	92,251
Capital Leases	<u>23,156</u>	<u>158,277</u>	<u>51,822</u>	<u>129,611</u>
Total General Long-Term Obligations	<u><u>\$5,664,283</u></u>	<u><u>\$355,258</u></u>	<u><u>\$372,429</u></u>	<u><u>\$5,647,112</u></u>

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

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

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2017	\$250,000
2018	\$265,000
2019	\$280,000
2020	\$295,000

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

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

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2009 through November 30, 2010	101 percent
December 1, 2010 and thereafter	100 percent

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2002 are as follows:

Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$110,000	\$218,883	\$328,883
2004	115,000	213,649	328,649
2005	120,000	208,038	328,038
2006	125,000	202,094	327,094
2007	145,000	195,408	340,408
2008-2023	<u>3,220,000</u>	<u>1,666,572</u>	<u>4,886,572</u>
Total	<u>\$3,835,000</u>	<u>\$2,704,644</u>	<u>\$6,539,644</u>

Capital leases will be paid from the Permanent Improvement Capital Projects Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The School District's overall legal debt margin was \$3,835,000 with an unvoted debt margin of \$185,142 at June 30, 2002.

NOTE 16 – CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had the following contractual purchase commitments:

<u>Project</u>	<u>Total Contract</u>	<u>Payments</u>	<u>Outstanding at 6-30-02</u>
Classroom Facilities	\$26,882,472	\$25,175,989	\$1,706,483

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 2002 receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$175,000	\$0
Enterprise Fund:		
Food Service Fund	<u>0</u>	<u>175,000</u>
Total All Funds	<u><u>175,000</u></u>	<u><u>175,000</u></u>

NOTE 18 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenue	\$214,409	\$0	\$214,409
Depreciation Expense	1,926	0	1,926
Operating Income (Loss)	(480,094)	(904)	(480,998)
Donated Commodities	24,804	0	24,804
Operating Grants	325,669	0	325,669
Interest	158	0	158

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Net Income (Loss)	(129,463)	(904)	(130,367)
Net Working Capital	(207,221)	0	(207,221)
Total Assets	378,489	0	378,489
Total Equity	115,061	0	115,061
Encumbrances at June 30, 2002	549	0	549

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School – The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2002, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2002, the total amount paid to OME-RESA from the School District was \$21,058. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

East Central Ohio Special Education Regional Resource Center – The East Central Ohio Special Education Regional Resource Center (ECO SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of member school district in East Central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 20 – INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), 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.

Ohio School Plan – 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 Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 21 – RELATED ORGANIZATION

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

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve.

Bellaire Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

	Budget Reserve	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2001	\$ 60,163	\$66,769	\$0
Current Year Set-aside Requirement	0	180,159	180,159
Current Year Offsets	0	(186,261)	(389,092)
Qualifying Disbursements	0	0	(1,050,478)
Totals	<u>\$60,163</u>	<u>\$60,667</u>	<u>(\$1,259,411)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$60,163</u>	<u>\$60,667</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2002			<u>\$120,830</u>

The School District did not expend the total requirement during fiscal year 2002 for the textbook set-aside. This amount must be added to the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 23 - 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, 2002.

NOTE 24 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

This page intentionally left blank.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed-through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$0	\$ 24,804	\$0	\$ 25,083
School Breakfast Program	10.553	043570-05-PU-00-00/01	77,334		77,334	
National School Lunch Program	10.555	043570-LL-P1/P4-00/01	226,270		226,270	
Total United States Department of Agriculture - Nutrition Cluster			303,604	24,804	303,604	25,083
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
<i>Passed-through the Ohio Department of Education:</i>						
Title I, Grants to Local Education Agencies	84.010	043570-C1-S1-01/02	591,952		541,987	
Special Education - Grants to States	84.027	043570-6B-SF-01/02	198,774		160,693	
Safe and Drug-Free Schools and Communities - State Grants	84.186	043570-DR-S1/S2-02	18,175		25,350	
Goals 2000 - State and Local Education Systemic Improvement	84.276	043570-G2-S1/S2-01			6,935	
Eisenhower Professional Development State Grants	84.281	043570-MS-S1/S2-02	34,934		37,607	
Innovative Education Program Strategies	84.298	043570-C2-S1-01/02	8,803		9,066	
Title VI of ESEA - Class Size Reduction Grant	84.340	043570-CR-S1-01/02	84,656		65,860	
<i>Direct Program:</i>						
21st Century Bridges	84.287	N/A	275,000		275,000	
Total United States Department of Education			1,212,294	0	1,122,498	0
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed-through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)	93.778	N/A	140,599		140,599	
<i>Passed-Through Ohio Department of Alcohol and Drug Addiction Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	90,000		90,128	
Total United States Department of Health and Human Services			230,599	0	230,727	0
Total Federal Awards Receipts and Expenditures			\$ 1,746,497	\$ 24,804	\$ 1,656,829	\$ 25,083

The Notes to the Schedule of Federal Awards Receipts and Expenditures are 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, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the general purpose financial statements of the Bellaire Local School District, Belmont County, Ohio, (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-11007-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated January 10, 2003.

Bellaire Local School District
Belmont County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

January 10, 2003



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Bellaire Local School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School District in a separate letter dated January 10, 2003.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

January 10, 2003

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I - CFDA #84.010 and Special Education – Grants to States – CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-11007-001

Noncompliance Citation

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

At the end of every month during the fiscal year through May 31, 2002, the Food Service Fund carried a negative fund balance anywhere from \$22,588 to \$208,517.

As of May 31, 2002, the Ohio Family and Children First, Title I, and Title VI-B Funds' had negative fund balances of \$10,969, \$54,302, and \$40,069, respectively.

As of April 30, 2002 and March 31, 2002, the Title VI-B Fund had a negative fund balance of \$22,334 and \$12,187, respectively.

As of January 31, 2002, the Ohio Family and Children First, Title I, and HRY Transitions Funds' had negative fund balances of \$26,338, \$71,862 and \$44,182, respectively.

As of December 31, 2001, the Title I and HRY Transitions Funds' had negative fund balances of \$31,351 and \$52,210, respectively.

As of November 30, 2001, the Student Services and HRY Transitions Funds' had negative fund balances of \$23,124 and \$29,785, respectively.

As of October 31, 2001, the Student Services Fund had a negative fund balance of \$24,309.

No significant negative fund balances existed at fiscal year end.

We recommend the School District monitor fund balances to ensure that monies from one fund are not used to pay expenses incurred by another fund. To cover temporary cash flow shortages, the School District may advance money from other funds to prevent deficits. The School District can refer to Auditor of State Bulletin 97-003.

3. FINDINGS FOR FEDERAL AWARDS

None.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
JUNE 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-11007-001	The Treasurer will monitor fund balances to ensure adequate cash balances are on hand to cover expenses.	June 30, 2003	Tara Boyer, Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BELLAIRE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2003**