



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 27, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Classroom Facilities Maintenance Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 23 to the financial statements, the School District has suffered recurring losses from operations and has a net asset deficiency. Note 24 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

December 20, 2010

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Bellaire Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- Net assets decreased \$2,524,258.
- General revenues accounted for \$12,611,346 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,584,349 or 22 percent of total revenues of \$16,195,695.
- Total assets of governmental activities increased by \$1,004,155 primarily due to increased equity in pooled cash and cash equivalents. The School District's total liabilities increased \$3,528,413 due primarily to the School District receiving a State Operating Loan that will be repaid over a two year period.
- The School District had \$18,719,953 in expenses related to governmental activities; only \$3,584,349 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,611,346 were not adequate to provide for these programs.
- The School District has three major funds, the General Fund, the Debt Service Fund, and the Classroom Facilities Maintenance Special Revenue Fund. The General Fund had \$12,131,999 in revenues and \$13,695,007 in expenditures. The General Fund's balance, including transfers, decreased \$2,189,713. The Debt Service Fund had revenues in the amount of \$384,582 and total expenditures in the amount of \$344,622 that resulted in a fund balance increase of \$39,960. The Classroom Facilities Maintenance Fund had revenue in the amount of \$106,850 and total expenditures in the amount of \$65,993 that resulted in a fund balance increase of \$40,857.

Using this Annual Financial Report

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

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the District's Fiduciary Responsibilities

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

Table 1
Net Assets

	Government Activities		Change
	2010	2009	
Assets			
Current and Other Assets	\$6,526,148	\$4,662,183	\$1,863,965
Capital Assets	21,013,428	21,873,238	(859,810)
Total Assets	27,539,576	26,535,421	1,004,155
Liabilities			
Long-Term Liabilities	4,821,196	4,847,434	(26,238)
Other Liabilities	8,595,782	5,041,131	3,554,651
Total Liabilities	13,416,978	9,888,565	3,528,413
Net Assets			
Invested in Capital Assets Net of Debt	18,069,632	18,905,519	(835,887)
Restricted	2,481,294	2,906,485	(425,191)
Unrestricted (Deficit)	(6,428,328)	(5,165,148)	(1,263,180)
Total Net Assets	\$14,122,598	\$16,646,856	(\$2,524,258)

Total current and other assets increased \$1,863,965 primarily due to increased equity in pooled cash and cash equivalents. Total other liabilities increased \$3,554,651 due primarily to the School District receiving a State Operating Loan that will be repaid over a two year period.

Total net assets of the School District's governmental activities decreased \$2,524,258. The unrestricted (deficit) net assets increased by \$1,263,180. Invested in capital assets, net of debt decreased by \$835,887 due primarily to annual depreciation expense.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

	Government Activities		Change
	2010	2009	
Revenues			
Program Revenue			
Charges for Services and Sales	\$1,149,843	\$1,545,570	(\$395,727)
Operating Grants and Contributions	2,430,617	4,693,494	(2,262,877)
Capital Grants and Contributions	3,889	41,318	(37,429)
Total Program Revenue	3,584,349	6,280,382	(2,696,033)
General Revenue			
Property Taxes	2,592,743	2,613,072	(20,329)
Grants and Entitlements	9,918,210	8,070,282	1,847,928
Gifts and Donations	13,000	1,500	11,500
Investment Earnings	34,787	50,060	(15,273)
Miscellaneous	52,606	33,742	18,864
Total General Revenue	12,611,346	10,768,656	1,842,690
Total Revenues	16,195,695	17,049,038	(853,343)
Program Expenses			
Instruction:			
Regular	8,844,652	8,554,307	290,345
Special	2,138,668	2,212,547	(73,879)
Vocational	22,374	131,471	(109,097)
Student Intervention Services	22,876	701,730	(678,854)
Support Services:			
Pupil	1,396,747	1,422,623	(25,876)
Instructional Staff	131,279	177,279	(46,000)
Board of Education	27,277	28,104	(827)
Administration	1,380,280	1,467,538	(87,258)
Fiscal	399,091	410,822	(11,731)
Operation and Maintenance of Plant	1,639,545	1,687,496	(47,951)
Pupil Transportation	1,050,860	1,237,647	(186,787)
Central	980	979	1
Operation of Non-Instructional Services	232,686	198,337	34,349
Food Service Operations	842,901	919,194	(76,293)
Extracurricular Activities	299,115	371,303	(72,188)
Interest and Fiscal Charges	290,622	126,554	164,068
Total Expenses	18,719,953	19,647,931	(927,978)
Change in Net Assets	(2,524,258)	(2,598,893)	74,635
Net Assets Beginning of Year	16,646,856	19,245,749	(2,598,893)
Net Assets End of Year	<u>\$14,122,598</u>	<u>\$16,646,856</u>	<u>(\$2,524,258)</u>

Governmental Activities

Property taxes made up approximately 16 percent of revenues for Bellaire Local School District in fiscal year 2010, this revenue source decreased slightly from fiscal year 2009 primarily due to very little growth in tax valuations and the loss of personal property tax revenue. Charges for Services revenue decreased

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

due primarily to decreased tuition and fees and decreased collections for athletic and music programs. Overall, Operating grants program revenue and grants and entitlements general revenue decreased \$414,949 due to decreased State and Federal funding.

Instruction comprises approximately 59 percent of governmental program expenses and decreased \$571,485 from fiscal year 2009. The decrease is due primarily to the School District being declared in Fiscal Emergency. As part of the Fiscal Emergency legislation, the School District is required to submit a spending reduction plan to address the overall financial condition of the School District. Overall, program expenses of the School District decreased by \$927,978, as a result of the reductions.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2010 compared to fiscal year 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$8,844,652	\$8,554,307	\$8,077,961	\$7,308,031
Special	2,138,668	2,212,547	1,182,091	353,681
Vocational	22,374	131,471	(2,969)	106,313
Student Intervention Service	22,876	701,730	(14,630)	(25,959)
Support Services				
Pupils	1,396,747	1,422,623	893,326	553,699
Instructional Staff	131,279	177,279	78,996	27,118
Board of Education	27,277	28,104	27,277	28,104
Administration	1,380,280	1,467,538	1,310,550	1,382,815
Fiscal	399,091	410,822	340,862	353,358
Operation and Maintenance of Plant	1,639,545	1,687,496	1,548,574	1,545,158
Pupil Transportation	1,050,860	1,237,647	1,050,459	1,208,975
Central	980	979	980	979
Operation of Non-Instructional Services	232,686	198,337	60,835	56,677
Food Service Operations	842,901	919,194	129,815	202,132
Extracurricular Activities	299,115	371,303	160,855	139,914
Interest and Fiscal Charges	290,622	126,554	290,622	126,554
Total Expenses	\$18,719,953	\$19,647,931	\$15,135,604	\$13,367,549

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 81 percent of expenses are supported through taxes and other general revenues.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. Total Governmental Funds had \$16,589,369 in revenues and \$18,500,093 in expenditures. The net change in governmental fund balances, including other financing sources and uses was a decrease of \$1,789,829.

General Fund Budgeting Highlights

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

During the course of fiscal 2010 the School District amended its General Fund and the Classroom Facilities Maintenance Fund appropriations, and the budgetary statements reflect both the original and final appropriated amounts. There were significant changes between the original and final appropriations of these funds due to estimates for state funding that were initially higher than final certified totals in the General Fund as well as spending estimates that were underestimated. There were no significant changes between final appropriations and actual expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010 the School District had \$21,013,428 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles. Table 5 shows fiscal 2010 balances compared to 2009:

Table 4
 Capital Assets Net of Depreciation

	Government Activities	
	2010	2009
Land	\$718,812	\$718,812
Land Improvements	891,324	791,727
Buildings and Improvements	18,580,102	19,381,200
Furniture and Equipment	666,082	759,659
Vehicles	157,108	221,840
Totals	\$21,013,428	\$21,873,238

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Debt

At June 30, 2010 the School District had \$2,926,818 in general obligation bonds and \$89,723 in capital leases outstanding.

Table 5 summarizes bonds outstanding:

Table 5
 Outstanding Debt at Year End

	Government Activities	
	2010	2009
2000 School Facilities Bonds		
Serial Bonds	\$930,000	\$1,085,000
2009 School Improvement Refunding Bonds		
Term Bonds	165,000	215,000
Serial Bonds	1,395,000	1,395,000
Capital Appreciation Bonds	249,996	249,996
Premium	156,067	169,073
CAB Accretion	30,755	(123,580)
	2,926,818	2,990,489
Total General Obligation Bonds		
Capital Leases	89,723	22,719
Total	\$3,016,541	\$3,013,208

See note 16 for more detailed information on the School District's debt.

Economic Factors

The School District is currently experiencing financial difficulty, as reflected in the financial statements and by the decline in fund balances and net assets. As the preceding information reflects, the School District relies heavily on state funding as well as property taxpayers. During fiscal year 2010, the School District was declared in Fiscal Emergency, and received a State Operating Loan in the amount of \$3,667,000, with a zero interest loan that will be repaid through reduction of State Foundation revenue over a two year period. The School District has implemented a spending reduction plan as part of the requirements under the fiscal emergency legislation. As part of the plan to address the current financial situation, the School District had placed a 12.9 mill operating levy on the ballot, November 2, which failed. The School District is currently working to revise the recovery plan in order to become fiscally solvent.

Although the School District is experiencing financial difficulty, the School District obtained an "Excellent" rating on the state report card, and remains the Pride of the "All-American Town." The mission statement of the School District is to "Strive to develop students who will become productive citizens in both school and later in the community. These students will be given the opportunity to develop healthy self-esteem, respectful attitudes, and a skill base that will prepare them to be successful adults." Approximately 60 percent of the School District's students are economically disadvantaged and 25 percent are identified as students with disabilities.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District relies heavily on state foundation funding and property taxes. Changes in school foundation formulas, very little growth in tax valuations and loss of personal property tax revenue have held revenue growth to a minimum.

Contacting the School District's Financial Management

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

Bellaire Local School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,374,552
Accounts Receivable	153,157
Accrued Interest Receivable	1,859
Intergovernmental Receivable	334,979
Investments	325,243
Prepaid Items	42,571
Materials and Supplies Inventory	68,911
Property Taxes Receivable	2,983,237
Cash and Cash Equivalents with Fiscal Agents	199,649
Deferred Charges	41,990
Non-Depreciable Capital Assets	718,812
Depreciable Capital Assets, Net	20,294,616
 Total Assets	 27,539,576
Liabilities	
Accounts Payable	67,533
Accrued Wages and Benefits Payable	1,711,474
Intergovernmental Payable	558,808
Matured Severance Payable	112,261
Vacation Benefits Payable	93,075
Accrued Interest Payable	8,990
Claims Payable	218,098
Deferred Revenue	2,158,543
State Operating Loan Payable	3,667,000
Long-Term Liabilities:	
Due Within One Year	600,918
Due In More Than One Year	4,220,278
 Total Liabilities	 13,416,978
Net Assets	
Invested in Capital Assets, Net of Related Debt	18,069,632
Restricted for:	
Capital Projects	105,086
Debt Service	626,654
Classroom Facilities Maintenance	1,184,220
State Grants	403,940
Bus Purchase	55,562
Other Purposes	105,832
Unrestricted (Deficit)	(6,428,328)
 Total Net Assets	 \$14,122,598

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$8,844,652	\$648,812	\$117,879	\$0	(\$8,077,961)
Special	2,138,668	0	956,577	0	(1,182,091)
Vocational	22,374	0	25,343	0	2,969
Student Intervention Services	22,876	0	37,506		14,630
Support Services:					
Pupil	1,396,747	138,135	361,397	3,889	(893,326)
Instructional Staff	131,279	0	52,283	0	(78,996)
Board of Education	27,277	0	0	0	(27,277)
Administration	1,380,280	0	69,730	0	(1,310,550)
Fiscal	399,091	0	58,229	0	(340,862)
Operation and Maintenance of Plant	1,639,545	0	90,971	0	(1,548,574)
Pupil Transportation	1,050,860	0	401	0	(1,050,459)
Central	980	0	0	0	(980)
Operation of Non-Instructional Services	232,686	13,209	158,642	0	(60,835)
Food Service Operations	842,901	211,427	501,659	0	(129,815)
Extracurricular Activities	299,115	138,260	0	0	(160,855)
Interest and Fiscal Charges	290,622	0	0	0	(290,622)
<i>Total Governmental Activities</i>	<u>\$18,719,953</u>	<u>\$1,149,843</u>	<u>\$2,430,617</u>	<u>\$3,889</u>	<u>(15,135,604)</u>
General Revenues					
Property Taxes Levied for General Purposes					2,021,355
Property Taxes Levied for Capital Outlay					194,739
Property Taxes Levied for Debt Service					335,517
Property Taxes Levied for Classroom Facilities Maintenance					41,132
Grants and Entitlements not Restricted to Specific Programs					9,918,210
Gifts and Donations					13,000
Investment Earnings					34,787
Miscellaneous					52,606
<i>Total General Revenues</i>					<u>12,611,346</u>
Change in Net Assets					(2,524,258)
<i>Net Assets Beginning of Year</i>					<u>16,646,856</u>
<i>Net Assets End of Year</i>					<u><u>\$14,122,598</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$151,333	\$524,992	\$1,169,675	\$340,762	\$2,186,762
Investments	0	0	0	325,243	325,243
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	55,562	0	0	0	55,562
Receivables:					
Property Taxes	2,330,782	385,412	42,775	224,268	2,983,237
Intergovernmental	48,159	0	0	286,820	334,979
Interfund	182,782	0	0	0	182,782
Accrued Interest	0	0	0	1,859	1,859
Prepaid Items	36,611	0	1,277	4,683	42,571
Materials and Supplies Inventory	61,230	0	0	7,681	68,911
<i>Total Assets</i>	<u>\$2,866,459</u>	<u>\$910,404</u>	<u>\$1,213,727</u>	<u>\$1,191,316</u>	<u>\$6,181,906</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$49,925	\$0	\$0	\$14,247	\$64,172
Accrued Wages and Benefits	1,578,442	0	0	133,032	1,711,474
Matured Severance Payable	112,261	0	0	0	112,261
Interfund Payable	0	0	0	182,782	182,782
Intergovernmental Payable	379,945	0	0	178,863	558,808
Deferred Revenue	2,207,121	357,465	39,404	368,558	2,972,548
State Operating Loan Payable	3,667,000	0	0	0	3,667,000
<i>Total Liabilities</i>	<u>7,994,694</u>	<u>357,465</u>	<u>39,404</u>	<u>877,482</u>	<u>9,269,045</u>
Fund Balances (Deficit)					
Reserved for Encumbrances	71,177	0	81,595	121,289	274,061
Reserved for Property Taxes	161,779	27,947	3,371	15,363	208,460
Reserved for Bus Purchases	55,562	0	0	0	55,562
Unreserved, Undesignated, Reported in:					
General Fund	(5,416,753)	0	0	0	(5,416,753)
Special Revenue Funds	0	0	1,089,357	134,443	1,223,800
Debt Service Fund	0	524,992	0	0	524,992
Capital Projects Funds	0	0	0	42,739	42,739
<i>Total Fund Balances(Deficit)</i>	<u>(5,128,235)</u>	<u>552,939</u>	<u>1,174,323</u>	<u>313,834</u>	<u>(3,087,139)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,866,459</u>	<u>\$910,404</u>	<u>\$1,213,727</u>	<u>\$1,191,316</u>	<u>\$6,181,906</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2010*

Total Governmental Fund Balances (\$3,087,139)

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 21,013,428

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

Grants	157,794
Property Taxes	616,234
Tuition and Fees	38,118
Interest	<u>1,859</u>

Total 814,005

An internal service fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal service
fund are included in governmental activities in the statement of net assets. 263,575

Unamortized issuance cost represents deferred charges which do not provided current
financial resources and, therefore, are not reported in the funds. 41,990

In the statement activities, interest is accrued on outstanding general obligation bonds,
whereas in governmental funds, an interest expenditure is reported when due. (8,990)

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

General Obligation Bonds - Capital Appreciation	249,996
General Obligation Bonds - Serial	2,325,000
General Obligation Bonds - Term	165,000
Accretion of Capital Appreciation Bonds Interest	30,755
Premium	156,067
Vacation Benefits Payable	93,075
Compensated Absences	1,804,655
Capital Leases	<u>89,723</u>

Total (4,914,271)

Net Assets of Governmental Activities \$14,122,598

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,970,500	\$327,289	\$40,071	\$189,835	\$2,527,695
Intergovernmental	9,343,469	57,293	60,012	3,234,031	12,694,805
Interest	18,758	0	6,767	8,591	34,116
Tuition and Fees	747,492	0	0	53,422	800,914
Extracurricular Activities	0	0	0	138,260	138,260
Rent	750	0	0	0	750
Contributions and Donations	0	0	0	13,000	13,000
Charges for Services	17,874	0	0	309,349	327,223
Miscellaneous	33,156	0	0	19,450	52,606
<i>Total Revenues</i>	<u>12,131,999</u>	<u>384,582</u>	<u>106,850</u>	<u>3,965,938</u>	<u>16,589,369</u>
Expenditures					
Current:					
Instruction:					
Regular	7,533,642	0	0	751,591	8,285,233
Special	1,125,931	0	0	1,090,722	2,216,653
Vocational	43,580	0	0	0	43,580
Student Intervention Service	9,589	0	0	13,287	22,876
Support Services:					
Pupil	605,331	0	0	804,084	1,409,415
Instructional Staff	0	0	0	82,645	82,645
Board of Education	22,518	0	0	0	22,518
Administration	1,295,392	0	0	112,244	1,407,636
Fiscal	386,182	8,452	1,029	4,840	400,503
Operation and Maintenance of Plant	1,494,852	0	28,890	133,684	1,657,426
Pupil Transportation	979,600	0	0	3,986	983,586
Operation of Non-Instructional Services	0	0	0	229,638	229,638
Food Service Operations	0	0	0	841,620	841,620
Extracurricular Activities	192,129	0	0	70,178	262,307
Capital Outlay	0	0	36,074	193,020	229,094
Debt Service:					
Principal Retirement	0	205,000	0	53,891	258,891
Interest and Fiscal Charges	6,261	131,170	0	9,041	146,472
<i>Total Expenditures</i>	<u>13,695,007</u>	<u>344,622</u>	<u>65,993</u>	<u>4,394,471</u>	<u>18,500,093</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,563,008)	39,960	40,857	(428,533)	(1,910,724)
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	0	120,895	120,895
Transfers In	0	0	0	626,705	626,705
Transfers Out	(626,705)	0	0	0	(626,705)
Total Other Financing Sources (Uses)	<u>(626,705)</u>	<u>0</u>	<u>0</u>	<u>747,600</u>	<u>120,895</u>
<i>Net Change in Fund Balances</i>	(2,189,713)	39,960	40,857	319,067	(1,789,829)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(2,938,522)</u>	<u>512,979</u>	<u>1,133,466</u>	<u>(5,233)</u>	<u>(1,297,310)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$5,128,235)</u></u>	<u><u>\$552,939</u></u>	<u><u>\$1,174,323</u></u>	<u><u>\$313,834</u></u>	<u><u>(\$3,087,139)</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$1,789,829)

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

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

Capital Outlay Additions	223,291	
Current Year Depreciation	(1,083,101)	
Total	(859,810)	(859,810)

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

Grants	(342,089)	
Tuition and Fees	(117,304)	
Interest	9	
Property Taxes	65,048	
Total	(394,336)	(394,336)

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

General Obligation Bonds - Serial/Term	205,000	
Capital Leases	53,891	
Total	258,891	258,891

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

Accrued Interest	678	
Accretion on Capital Appreciation Bonds	(30,755)	
Issuance Costs	(3,499)	
Refunding Difference	(123,580)	
Premium	13,006	
Total	(144,150)	(144,150)

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the statement of activities. (120,895)

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

Vacation Benefits Payable	(7,688)	
Compensated Absences	29,571	
Total	21,883	21,883

The internal service fund used by management to charge the costs of insurance to individual fund is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net income (expenses) of the internal service fund is allocated among governmental activities. 503,988

Change in Net Assets of Governmental Activities (\$2,524,258)

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$2,116,245	\$1,963,475	\$1,963,475	\$0
Intergovernmental	10,284,193	9,339,466	9,659,466	320,000
Interest	20,000	18,311	18,758	447
Tuition and Fees	977,262	747,492	747,492	0
Rent	500	750	750	0
Charges for Services	25,000	17,874	17,874	0
Miscellaneous	1,800	33,156	33,156	0
<i>Total Revenues</i>	<u>13,425,000</u>	<u>12,120,524</u>	<u>12,440,971</u>	<u>320,447</u>
Expenditures				
Current:				
Instruction:				
Regular	7,072,717	7,564,360	7,564,361	(1)
Special	1,140,296	1,018,117	1,018,117	0
Vocational	72,848	93,467	93,467	0
Student Intervention Services	2,220	9,589	9,589	0
Support Services:				
Pupil	483,473	542,153	542,153	0
Board of Education	22,690	22,282	22,282	0
Administration	1,279,020	1,280,809	1,280,809	0
Fiscal	378,938	382,492	382,492	0
Operation and Maintenance of Plant	1,710,657	1,535,175	1,535,174	1
Pupil Transportation	1,049,389	978,670	978,670	0
Extracurricular Activities	187,752	190,647	190,647	0
Debt Service:				
Principal Retirement	0	500,000	820,000	(320,000)
Interest and Fiscal Charges	0	6,261	6,261	0
<i>Total Expenditures</i>	<u>13,400,000</u>	<u>14,124,022</u>	<u>14,444,022</u>	<u>(320,000)</u>
Excess of Revenues Over (Under) Expenditures	25,000	(2,003,498)	(2,003,051)	447
Other Financing Sources (Use)				
Solvency Assistance Loan Issued	0	3,667,000	3,667,000	0
Tax Anticipation Note Issued	0	500,000	500,000	0
Transfers Out	0	(626,705)	(626,705)	0
Advances Out	0	(96,251)	(96,251)	0
<i>Net Change in Fund Balance</i>	25,000	1,440,546	1,440,993	447
<i>Fund Balance (Deficit) Beginning of Year</i>	(1,612,836)	(1,612,836)	(1,612,836)	0
Prior Year Encumbrances Appropriated	340,515	340,515	340,515	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$1,247,321)</u>	<u>\$168,225</u>	<u>\$168,672</u>	<u>\$447</u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$32,610	\$39,917	\$39,917	\$0
Intergovernmental	53,010	60,012	60,012	0
Interest	14,380	3,445	4,605	1,160
<i>Total Revenues</i>	<u>100,000</u>	<u>103,374</u>	<u>104,534</u>	<u>1,160</u>
Expenditures				
Current:				
Support Services:				
Fiscal	(868)	1,029	1,029	0
Operation and Maintenance of Plant	40,767	55,854	55,854	0
Capital Outlay	60,101	113,744	113,744	0
<i>Total Expenditures</i>	<u>100,000</u>	<u>170,627</u>	<u>170,627</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	(67,253)	(66,093)	1,160
<i>Fund Balance Beginning of Year</i>	1,094,836	1,094,836	1,094,836	0
Prior Year Encumbrances Appropriated	57,278	57,278	57,278	0
<i>Fund Balance End of Year</i>	<u><u>\$1,152,114</u></u>	<u><u>\$1,084,861</u></u>	<u><u>\$1,086,021</u></u>	<u><u>\$1,160</u></u>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2010

	Governmental Activity
	Internal Service Fund
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$132,228
Cash and Cash Equivalents with Fiscal Agents	199,649
Accounts Receivable	153,157
<i>Total Assets</i>	485,034
 Current Liabilities	
Accounts Payable	3,361
Claims Payable	218,098
<i>Total Liabilities</i>	221,459
 Net Assets	
Unrestricted	263,575
<i>Total Net Assets</i>	\$263,575

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$2,900,857
Operating Expenses	
Purchased Services	681,592
Claims	1,715,939
<i>Total Operating Expenses</i>	2,397,531
<i>Operating Income</i>	503,326
Non-Operating Revenues	
Interest	662
<i>Change in Net Assets</i>	503,988
<i>Net Assets (Deficit) Beginning of Year</i>	(240,413)
<i>Net Assets End of Year</i>	\$263,575

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$2,900,857
Other Operating Revenues	1,134,675
Cash Payments for Services	(678,231)
Cash Payments for Claims	(3,160,618)
	196,683
<i>Net Cash Provided by Operating Activities</i>	<i>196,683</i>
Cash Flows from Investing Activities	
Interest	662
	662
<i>Net Cash Provided by Investing Activities</i>	<i>662</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>197,345</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>134,532</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$331,877</i>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$503,326
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(153,157)
Increase in Accounts Payable	3,361
Decrease in Claims Payable	(156,847)
	196,683
<i>Net Cash Provided by Operating Activities</i>	<i>\$196,683</i>

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$504,204	\$72,074
Investments	5,000	0
Accrued Interest Receivable	135	0
	509,339	\$72,074
<i>Total Assets</i>	509,339	\$72,074
Liabilities		
Undistributed Monies	0	\$10,968
Due to Students	0	61,106
	0	\$72,074
<i>Total Liabilities</i>	0	\$72,074
Net Assets		
Held in Trust for Scholarships	509,339	
<i>Total Net Assets</i>	\$509,339	

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust Fund
Additions	
Contributions and Donations	\$89,744
Interest	8,207
Total Additions	97,951
Deductions	
Scholarships Awarded	1,200
<i>Change in Net Assets</i>	96,751
<i>Net Assets Beginning of Year</i>	412,588
<i>Net Assets End of Year</i>	\$509,339

See accompanying notes to the basic financial statements

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Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1839 when Jacob Davis, Jr. became the first school teacher in Bellaire. The first schoolhouse was also erected in 1839. The current district was originally made up of schools in Bellaire, Key, Pultney and other outlying areas and one-room schools. The final consolidation of these districts was in January 1960 when the Key-Pultney District joined the Bellaire District. The Bellaire School District consolidated again in 2001 when seven elementary and middle school buildings were closed and the district moved to two new facilities. Bellaire Elementary School consists of grades kindergarten through fourth; Bellaire Middle School encompasses grades five through eight and Bellaire High School houses grades nine through twelve. The School District encompasses 48 square miles of rolling hills and small communities in Belmont County. The School District's eastern border is the Ohio River. The School District is staffed by 85 non-certificated employees, 116 full-time teaching personnel and 12 administrative employees who provide services to 1,313 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings and 1 bus garage.

The School District, which had previously been declared to be in a state of "Fiscal Caution" and then "Fiscal Watch" by the Ohio Department of Education on April 24, 2009, and September 10, 2009, respectively, has been elevated to the state of "Fiscal Emergency." The School District did not provide an acceptable proposal to the Ohio Department of Education, and on December 31, 2009, the Auditor of State declared the School District to be in a state of "Fiscal Emergency." In accordance with State Statute, a five member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of the State Director of the Office of Budget and Management, the State Superintendent of Public Instruction, a resident/business owner within the School District appointed by the Belmont County Auditor, a local business person appointed by the Governor, and a parent with a child enrolled within the School District appointed by the State Superintendent of Public Instruction. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the School District Plan on May 5, 2010 which was submitted to the Ohio Department of Education for approval, and was subsequently rejected. The School District was in the process of revising the plan at June 30, 2010. See Subsequent Event Note 24 for further details.

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 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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

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

The following activities are included within the reporting entity:

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

The School District is involved with six organizations; four jointly governed organizations, one risk sharing, claims servicing, and insurance purchasing pool, and one related organization. These organizations include the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Educational Regional Service System Region 12 (ERSS), and the Coalition of Rural and Appalachian Schools (CORAS), the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, and the Bellaire Public Library. These organizations are presented in Notes 18, 19, and 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

B. Fund Accounting

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

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

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

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

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

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

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

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

operation of the School District's self-insurance program for employee medical, prescription drug and dental claims.

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

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected

Bellaire Local School District
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For the Fiscal Year Ended June 30, 2010

within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

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

During fiscal year 2010, investments were limited to non-negotiable certificates of deposit, negotiable certificates of deposit, money market mutual funds, and repurchase agreements. The negotiable certificates of deposit and the repurchase agreement, are reported at fair value, which is based on quoted market prices. Money market mutual funds are reported at current share value. Non-negotiable certificates of deposits are reported at cost.

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For the Fiscal Year Ended June 30, 2010

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$18,758 which was assigned from other School District funds.

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

The Miscellaneous Federal Grant Fund made disbursements in excess of their equity interest in the cash management pool. The amount of this excess is reported as interfund payable to the General Fund.

F. Restricted Assets

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

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For the Fiscal Year Ended June 30, 2010

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Bond Premiums, Discounts, Gains/Losses on Refinancing and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs and bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

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

Any difference (gain/loss) on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements issuance costs, bond premiums, and bond discounts are recognized in the current period. The face amount of the debt issue is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Internal Activity

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

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

O. Fund Balance Reserves

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

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

P. Net Assets

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

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

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Notes to the Basic Financial Statements
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Q. Extraordinary and Special Items

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

R. 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.

S. Budgetary Data

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

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

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles - For 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of

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For the Fiscal Year Ended June 30, 2010

such assets among state and local governments. The implementation of this statement did not result in any material change to the School District's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 2010, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
General Fund	\$5,128,235
<u>Other Governmental Funds:</u>	
Food Service Special Revenue Fund	102,353
Miscellaneous Federal Grant Fund	132,972
Title I Grant	19,025

The deficit in the General Fund was created by the application of generally accepted accounting principles. The primary cause of the deficit balance is the liability for the solvency loan payable, other accrued liabilities, as well as advances to cover the Miscellaneous Federal Grant Fund Cash Deficit. See Subsequent Event Note 24 for further details of Financial Recovery Plan.

The deficits in the Food Service Special Revenue Fund, Miscellaneous Federal Grant Fund and Title I Fund were created by the application of generally accepted accounting principles, as well as failure to adequately fund these programs. These funds generally receive transfers from the General Fund when cash is needed rather than when accruals occur.

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B. Legal Compliance

The Miscellaneous Federal Grant Fund had appropriations in excess of estimated revenue contrary to Section 5705.39, Revised Code, in the amount of \$203,632.

The Miscellaneous Federal Grant Fund had deficit cash balance contrary to Section 5705.10, Revised Code, in the amount of \$86,531 due to timing of receipts for the federal grants.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Adjustments to record investments at market value are reported on the balance sheet (GAAP basis), but not on the budget basis.
5. Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Proceeds from and the principal payments on short-term note and loan obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
7. Unrecorded cash represents amounts received but not included on the budgetary statement, but reported on the operating statement prepared using GAAP. The reconciled difference between the beginning and end of the year is reflected in the following tables as unrecorded cash.

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

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Net Change in Fund Balance		
	General	Classroom Facilities Maintenance
GAAP Basis	(\$2,189,713)	\$40,857
Revenue Accruals	308,972	(4,009)
Tax Anticipation Note Proceeds	500,000	0
State Operating Loan Proceeds	3,667,000	0
Market Value Adjustment	0	1,876
Expenditure Accruals	(124,261)	(23,039)
Advances Out	(96,251)	0
Unrecorded Cash	0	(183)
Debt Service - Principal	(500,000)	0
Encumbrances	(124,754)	(81,595)
Budget Basis	\$1,440,993	(\$66,093)

NOTE 6 – DEPOSIT AND INVESTMENTS

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

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

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

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

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

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

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

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

At June 30, 2010, the School District had a cash balance of \$199,649 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (see Note 19), which is a portion of the School District's internal service fund balance. The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$189,067 of the School District's bank balance of \$508,026 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments

As of June 30, 2010, the School District had the following investments, all of which are part of the internal investment pool:

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	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Advantage Bank Cambridge					
Negotiable CD	\$99,103	7/28/2010	3.47%	N/A	N/A
Key Bank National					
Negotiable CD	100,780	10/11/1011	3.53%	N/A	N/A
Repurchase Agreement	<u>2,655,000</u>	7/1/2010	<u>93.00%</u>	N/A	N/A
Totals	<u>\$2,854,883</u>		<u>100.00%</u>		

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

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

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

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

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or 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.

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Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

The 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$161,779 in the General Fund, \$27,947 in the Debt Service Fund, \$15,363 in the Permanent Improvement Capital Projects Fund, and \$3,371 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2009, was \$154,754 in the General Fund, \$26,976 in the Debt Service Fund, \$14,645 in the Permanent Improvement Capital Projects Fund, and \$3,217 in the Classroom Facilities Special Revenue Fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second - Half Collections		2010 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$97,870,260	90.51%	\$98,016,570	90.56%
Public Utility Personal	10,261,050	9.49%	10,217,660	9.44%
	<u>\$108,131,310</u>	<u>100.00%</u>	<u>\$108,234,230</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$34.50		\$34.50

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Notes to the Basic Financial Statements
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NOTE 8 - RECEIVABLES

Receivables at June 30, 2010, consisted of property taxes, interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$616,234 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Excess Costs from Other School Districts	\$38,118
Community Alternative Funding System	10,041
Public Preschool Grant	4,800
Title I	92,930
IDEA Part B	54,760
Title II-A-Improve Teacher Quality	22,387
River School Initiative Grant	<u>111,943</u>
Total Intergovernmental Receivables	<u><u>\$334,979</u></u>

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

	Balance		
	6/30/09	Additions	Deletions
Non-Depreciable Capital Assets:			
Land	\$718,812	\$0	\$0
Depreciable Capital Assets:			
Land Improvements	1,400,727	169,925	0
Buildings and Improvements	28,541,408	47,440	0
Furniture and Equipment	1,875,404	5,926	0
Vehicles	1,466,999	0	0
Total Depreciable Capital Assets	33,284,538	223,291	0
Accumulated Depreciation:			
Land Improvements	(609,000)	(70,328)	0
Buildings and Improvements	(9,160,208)	(848,538)	0
Furniture and Equipment	(1,115,745)	(99,503)	0
Vehicles	(1,245,159)	(64,732)	0
Total Accumulated Depreciation	(12,130,112)	(1,083,101) *	0
Total Depreciable Capital Assets, Net	21,154,426	(859,810)	0
Governmental Capital Assets, Net	\$21,873,238	(\$859,810)	\$0

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$782,943
Special	4,252
Support Services:	
Pupil	170
Instructional Staff	56,804
Board of Education	4,759
Administration	3,157
Fiscal	11,142
Operation and Maintenance of Plant	21,790
Pupil Transportation	121,894
Central	980
Food Service Operations	38,402
Extracurricular Activities	36,808
Total Depreciation Expense	<u>\$1,083,101</u>

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010 the School District contracted with Ohio Casualty Insurance Company for property and inland marine coverage, and for fleet insurance and liability insurance. Flood insurance was provided by the National Flood Insurance. The Ohio Casualty Insurance Coverage's provided by Pilney-Foster Insurance Agency of Ohio are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$50,643,142
Automotive Liability (\$500 deductible)	1,000,000
Uninsured Motorist (\$500 deductible)	1,000,000
<i>General Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	2,000,000
Personal and Advertising Injury Limit - Each Occurrence:	1,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	1,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	1,000,000
Defense Aggregate	100,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	3,000,000
<i>Employer's Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	2,000,000
Disease - Each Employee	1,000,000
<i>Umbrella Liability:</i>	
Each Occurrence	2,000,000
Aggregated Limit	2,000,000

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

B. Workers' Compensation

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

Bellaire Local School District
Notes to the Basic Financial Statements
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C. Employee Benefits

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

The Board pays 98 percent of the premiums for the classified employees and 90 percent of the premiums for the certified staff which are \$1,420.51 per family and \$547.85 for single coverage. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$218,098 reported in the internal service fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

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

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at End</u> <u>of Year</u>
2009	\$112,115	\$2,463,855	\$2,201,025	\$374,945
2010	374,945	1,869,096 (1)	2,025,943 (2)	218,098
(1) Claims Expense				\$1,715,939
Net Increase in Stop Loss Receivable				153,157
Claims Payments				<u>\$1,869,096</u>
(2) Cash Payments for Claims				\$3,160,618
Stop Loss Received for FY 2010 Claims				<u>(1,134,675)</u>
Claims Payments				<u>\$2,025,943</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.74 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$345,876, \$206,977 and \$187,248 respectively; 48.27 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$887,707, \$876,565 and 856,631 respectively; 77.08 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$3,259 made by the School District and \$4,397 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.50 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,574, \$94,722 and \$85,447 respectively; 48.27 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010,

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

2009, and 2008 were \$20,633, \$17,077 and \$13,492 respectively; 48.27 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$63,929, \$66,224 and \$66,591 respectively; 77.08 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 to 270 days for all employees. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 91 days for classified employees and 94.5 days for certified employees.

B. Other Insurance Benefits

The School District provides life insurance to all employees. A \$50,000 life insurance policy is purchased by the School District at a cost of \$8 per month. The School District contracts with Sun Life Insurance to provide this benefit. The School District provides vision insurance through Vision Service Plan at a cost of \$13.76 per month.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 – FUND OBLIGATIONS

Tax Anticipation Note - The School District issued a \$500,000 tax anticipation note for operations on September 15, 2009. The note was issued with a 2.80 percent interest rate, and was issued in anticipation of tax receipts, and was backed by the full faith and credit of the School District. The note was fully repaid on March 1, 2010.

Solvency Assistance Advance – The School District received a \$320,000 advance during fiscal year 2010 that was fully repaid through deductions from State Foundation receipts prior to June 30, 2010.

State Operating Loan - The School District participated in the State Solvency Assistance Program during fiscal year 2010; see Going Concern - Note 23 for additional information. The School District received \$3,667,000 in state operating loan proceeds at zero percent interest. The loan is to be repaid through deductions in the School District’s state foundation receipts. The amount of the loan will be repaid through the deductions according to the following schedule:

<u>Fiscal Year</u>	<u>Principal</u>
2011	\$1,833,500
2012	<u>1,833,500</u>
Total	<u><u>\$3,667,000</u></u>

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

During the current, and in prior fiscal years, the School District has entered into capitalized leases for copying equipment.

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

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$97,939, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$48,970. Principal payments in fiscal year 2010 totaled \$53,891, in the governmental funds.

Future minimum lease payments through 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$33,759	\$5,958
2012	36,561	3,156
2013	<u>19,403</u>	<u>455</u>
Totals	<u><u>\$89,723</u></u>	<u><u>\$9,569</u></u>

Bellaire Local School District
Notes to the Basic Financial Statements
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NOTE 16 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due In One Year
<u>General Obligation Bonds:</u>					
2000 School Facilities Bonds					
Serial Bonds \$2,633,000 @ 4.2% to 5.8 %	\$1,085,000	\$0	(\$155,000)	\$930,000	\$165,000
2009 School Improvement Refunding Bonds					
Serial Bonds \$1,395,000 @ 3.5%-4.0%	1,395,000	\$0	0	1,395,000	0
Term Bonds \$215,000 @ 2.0%-3.0%	215,000	0	(50,000)	165,000	30,000
CAB Bonds \$249,996 @ 3.9%-4.0%	249,996	0	0	249,996	0
CAB Accretion \$290,004 @ 9.697%	0	30,755	0	30,755	0
Premium \$169,073	169,073	0	(13,006)	156,067	0
Refunding Difference \$123,580	(123,580)	0	123,580	0	0
Total 2009 Refunding Bonds	1,905,489	30,755	60,574	1,996,818	30,000
Total General Obligation Bonds	2,990,489	30,755	(94,426)	2,926,818	195,000
Capital Leases	22,719	120,895	(53,891)	89,723	33,759
Compensated Absences	1,834,226	195,725	(225,296)	1,804,655	372,159
Total General Long-Term Obligations	\$4,847,434	\$347,375	(\$373,613)	\$4,821,196	\$600,918

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

Bellaire Local School District
Notes to the Basic Financial Statements
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Fiscal Year	Serial Bonds	
Ending June 30	Principal	Interest
2011	\$165,000	\$53,880
2012	175,000	43,126
2013	185,000	31,696
2014	195,000	19,631
2015	210,000	6,720
Total	\$930,000	\$155,053

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

These refunding bonds were issued with a premium of \$169,073. The amortization of the issuance costs for fiscal year 2010 was \$3,499. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$123,580, which was amortized completely in fiscal year 2010, as the refunded bonds were fully called and repaid during fiscal year 2010, therefore leaving no difference to be amortized at June 30, 2010. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$256,384. The issuance resulted in an economic gain of \$205,102.

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

The capital appreciation bonds for this issue mature December 1, 2016 and 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$540,000. The accretion recorded for fiscal year 2010 was \$30,755, leaving a total bond liability of \$280,751.

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

The Current Interest Bonds due December 1, 2011 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2009, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Bellaire Local School District
Notes to the Basic Financial Statements
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December 1	Principal Amount to be Redeemed
2009	\$50,000
2010	30,000
	\$80,000

Unless otherwise called for redemption, the remaining \$30,000 principal amount of the bonds due December 1, 2011 is to be paid at stated maturity.

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

December 1	Principal Amount to be Redeemed
2013	\$35,000
2014	35,000
	\$70,000

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

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

Principal and Interest requirements to retire general obligation bonds for the 2009 School Improvement Refunding Bonds outstanding at June 30, 2010 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2011	\$30,000	\$58,575	\$0	\$0	\$30,000	\$58,575
2012	30,000	57,975	0	0	30,000	57,975
2013	35,000	57,151	0	0	35,000	57,151
2014	35,000	56,100	0	0	35,000	56,100
2015	35,000	55,050	0	0	35,000	55,050
2016-2020	805,000	210,663	249,996	290,004	1,054,996	500,667
2021-2022	590,000	23,800	0	0	590,000	23,800
Totals	\$1,560,000	\$519,314	\$249,996	\$290,004	\$1,809,996	\$809,318

Bellaire Local School District
Notes to the Basic Financial Statements
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Capital leases will be paid from the General Fund and the Miscellaneous Federal Grant Special Revenue Fund. Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$7,767,165, with an unvoted debt margin of \$107,825 at June 30, 2010.

Defeased Debt:

On April 9, 2009, the School District issued \$1,859,996 of general obligation bonds, as detailed above. The bonds were issued to refund \$1,860,000 of outstanding 2000 School Facilities General Obligation Serial and Term Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2021. At the date of refunding, \$1,983,580 (including premium, and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities General Obligation Term Bonds. As of June 30, 2010, the full amount of refunded bonds had been called and fully repaid, and therefore there was no balance remaining in the escrow trust account.

NOTE 17 – INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2010 consist of the following individual interfund receivables and payables:

	Interfund Receivable
	General Fund
<u>Interfund Payable</u>	
Other Governmental Funds	\$182,782
Total	\$182,782

The loan made to the Other Governmental Funds was made to support the programs until state and federal grant monies are received to operate the programs as well as \$86,531, used to cover actual cash deficits. The cash deficits were covered by cash and cash equivalents from the General Fund.

B. Transfers

Interfund transfers for the year ended June 30, 2010 consisted of the following:

	Transfers to
	Other Governmental Funds
<u>Transfer from</u>	
General Fund	\$626,705

The transfers were from the General Fund to the Food Services Special Revenue Fund. The transfers were made to finance the operations of the Food Service Fund as well as to cover prior year deficit balances.

Bellaire Local School District
Notes to the Basic Financial Statements
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NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2010, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) - The Ohio Mid-Eastern Regional Education Service Agency was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2010, the total amount paid to OME-RESA from the School District was \$95,224 for cooperative gas purchasing services and \$62,274 for financial accounting services, educational management information, and internet access. 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, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. Effective July 1, 2010, the information technology portion of the OME-RESA consortium was dissolved. See Subsequent Event Note 24 for further details.

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

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2010.

NOTE 19 – RISK SHARING, CLAIMS SERVICING, AND INSURANCE PURCHASING POOL

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

NOTE 20 – 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 decisions made solely by the Board of Trustees. Financial information can be obtained from the Bellaire Public Library, Karri Haglock, Clerk/Treasurer, at 32nd and Guernsey Street, Bellaire, Ohio 43906.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 21 - 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 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.

Pursuant to State statute, the Board of Education expended all of the amounts previously set-aside for the budget stabilization.

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District's that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the textbooks and capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirements or the elimination of funding of the set-aside altogether. The Bellaire Local School District has been declared in fiscal emergency and has elected not to fund the set-aside requirement for either the textbook or capital improvement set-aside for fiscal year 2010.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2009	\$0	\$0
Current Year Set-aside Requirement	177,095	177,095
Legislative Reduction	(177,095)	(177,095)
Allowable Carry Forward at June 30, 2009	(29,759)	0
Current Year Offsets	N/A	N/A
Qualifying Disbursements	N/A	N/A
Totals	<u>(\$29,759)</u>	<u>\$0</u>
Allowable Carry Forward at June 30, 2009	0	(\$3,327,151)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$29,759)</u>	<u>(\$3,327,151)</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements in prior fiscal years that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The School District also had prior year capital expenditures in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

NOTE 22 – 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, 2010.

B. Litigation

The School District is not party to any pending litigation.

NOTE 23 – GOING CONCERN

The School District was placed in Fiscal Caution on April 24, 2009 by the Ohio Department of Education. The School District did not submit a proposal to the Ohio Department of Education and with the concurrence of the Auditor of State, was declared in fiscal watch on September 10, 2009. On December 31, 2009, the School District was placed in Fiscal Emergency due to the failure to submit an acceptable financial recovery plan.

Based on the most recent Commission-adopted five year forecast, the School District is projecting a deficit cash balance in fiscal years 2011 through 2015, and deficit unreserved fund balance in fiscal years 2011 through 2012, due to the School District's projection of an additional property levy to begin collections in fiscal year 2011 of the projection.

The Commission has approved a financial recovery plan and submitted it to the Ohio Department of Education. See Subsequent Events Note 24 for further details.

NOTE 24 – SUBSEQUENT EVENTS NOTE

A. School Employees Retirement System

Effective July 1, 2010, the SERS has changed the Ohio Department of Education Foundation Program deductions for traditional public schools from a calendar year basis, six month in arrears, to a fiscal year basis, which will coincide with the participating School Districts' fiscal year. As a result, the Foundation deductions which would have been collected six months in arrears became due June 30, 2010. Bellaire Local School District will have the balance due paid in equal installments over a six year period beginning July, 2010.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

B. Council of Governments

Effective July 1, 2010, the information technology portion of the OME-RESA consortium has been dissolved. On July 1, 2010, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Council of Governments (OME-RESA Council) was established pursuant to Ohio Revised Code Section 167.01. The Board of Education of Bellaire Local School District has passed a resolution approving membership in the OME-RESA Council and is currently receiving information technology services through the Council.

C. Federal Grant

The School District has been approved for \$493,294 of Federal Education Jobs Fund Program Dollars as part of Public Law No. 111-226, signed by President Obama on August 10, 2010. This program provides assistance to save or create education jobs. The allocation will be available to fund fiscal year 2011.

D. Spending Reduction Plan

On September 29, 2010, the Commission approved a revised spending reduction plan to be sent to the Ohio Department of Education to address additional reductions to avoid additional deficits previously projected on the School District's five year forecast. As of the date of these financial statements, the School District has not received notification as to whether the plan has been accepted by the Ohio Department of Education.

E. Labor Agreement

On September 1, 2010, the Commission approved a labor agreement with the Bellaire Education Association that represents the certified teaching staff of the School District. The agreement is effective through June 30, 2012. The agreement provides for a salary freeze, increased employee contributions of monthly insurance premiums, as well as a retire/rehire clause that provides for a one-year rehire provision for employees that retire and meet the qualifications of the agreement.

F. Labor Negotiations

The School District and the Ohio Association of Public School Employees, representing the classified (non teaching) staff of the School District are currently in the process of negotiating a labor contract. The current contract expired on June 30, 2010. As of the date of the financial statements, no agreement has been reached.

G. Tax Levy

The Board of Education passed a resolution on July 30, 2010 to place a 12.9 mill, 5 year tax levy for general operating expenses on the November 2, 2010 ballot. The levy failed.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$16,016	\$16,016
Cash Assistance:				
School Breakfast Program	043570-05PU-10	10.553	141,808	141,808
National School Lunch Program	043570-LLP4-10	10.555	331,781	331,781
Total			<u>473,589</u>	<u>473,589</u>
Total Child Nutrition Center			<u>489,605</u>	<u>489,605</u>
Total U.S. Department of Agriculture			489,605	489,605
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	043570-C1S1-05	84.010		921
	043570-C1S1-09		46,731	85,712
	043570-C1S1-10		557,140	572,692
Total Title I Grants to Local Educational Agencies			<u>603,871</u>	<u>659,325</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	043570-10	84.389	160,369	179,603
Total Title I, Part A Cluster			764,240	838,928
Special Education Cluster:				
Special Education - Grants to States	043570-6BSF-09	84.027	42,898	61,524
	043570-6BSF-10		328,669	330,181
Total Special Education - Grants to States			<u>371,567</u>	<u>391,705</u>
Special Education, Preschool Grants (IDEA, Preschool)	043570-PGS1-10	84.173	450	
ARRA - Special Education - Grants to States	043570-10	84.391	95,970	103,629
Total Special Education Cluster			467,987	495,334
Safe and Drug-Free Schools and Communities - State Grants	043570-DRS1-09	84.186	10,053	11,761
	043570-DRS1-10		8,862	8,195
Total Safe and Drug-Free Schools and Communities - State Grants			<u>18,915</u>	<u>19,956</u>
Innovative Education Program Strategies	043570-C2S1-09	84.298	(242)	
Education Technology State Grants	043570-TJS1-09	84.318	992	1,903
	043570-TJS1-10		1,257	710
Total Education Technology State Grants			<u>2,249</u>	<u>2,613</u>
Improving Teacher Quality State Grants	043570-TRS1-09	84.367		1,880
	043570-TRS1-10		100,779	101,862
Improving Teacher Quality State Grants - Diocese	052548-TRS1-09		18,378	8,486
Total Improving Teacher Quality State Grants			<u>119,157</u>	<u>112,228</u>
ARRA - School Fiscal Stabilization Fund, Recovery Act	043570-10	84.394	605,211	605,211
<i>Direct From Federal Government:</i>				
Safe and Drug-Free Schools and Communities - National Program				
Safe Schools-Healthy Students Initiative Discretionary Grant	Q184L080060-09	84.184L	280,998	312,002
	Q184L080060-10		149,896	194,980
Total Safe and Drug-Free Schools and Communities - National Program			<u>430,894</u>	<u>506,982</u>
Total U.S. Department of Education			2,408,411	2,581,252
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed-Through Belmont County Mental Health and Recovery Board:</i>				
Safe and Drug-Free Schools and Communities - State Grants				
	2009	84.186	15,426	
	2010		35,000	34,762
Total Safe and Drug-Free Schools and Communities - State Grants			<u>50,426</u>	<u>34,762</u>
Community-Based Child Abuse Prevention Grants	2009	93.590	3,731	259
	2010		40,666	37,829
Total Community-Based Child Abuse Prevention Grants			<u>44,397</u>	<u>38,088</u>
Total U.S. Department of Health and Human Services			<u>94,823</u>	<u>72,850</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,992,839</u>	<u>\$3,143,707</u>

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

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 20, 2010, wherein we noted the School District has suffered recurring losses from operations and has a net asset deficiency. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated December 20, 2010.

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

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

Mary Taylor, CPA
Auditor of State

December 20, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated December 20, 2010.

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



Mary Taylor, CPA
Auditor of State

December 20, 2010

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (IDEA) - CFDA #84.027, #84.173, and #84.391 Title I, Part A Cluster - CFDA #84.010 and #84.389 ARRA - School Fiscal Stabilization Fund, Recovery Act - CFDA #84.394 Safe and Drug Free Schools and Communities–National Program - CFDA #84.184L
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.10(H), negative cash fund balances at year-end.	No	Not Corrected; Reissued in management letter.
2009-002	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources in several funds.	No	Not Corrected; Reissued in management letter.
2009-003	Ohio Admin. Code Section 117-2-02 (C)(1), only posting budgeted receipts and appropriations to the accounting system for certain payroll items.	Yes	N/A.

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Mary Taylor, CPA
Auditor of State

BELLAIRE LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2011**