



**Dave Yost • Auditor of State**

**Bellaire Local School District  
Belmont County, Ohio**

**Financial Forecast  
For the Fiscal Year Ending June 30, 2016**

**Local Government Services Section**



Bellaire Local School District  
Belmont County

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# Dave Yost • Auditor of State

Financial Planning and Supervision Commission  
Bellaire Local School District  
Ohio Department of Education  
25 South Front Street  
Columbus, Ohio 43125

and

Board of Education  
Bellaire Local School District  
340 34<sup>th</sup> Street  
Bellaire, Ohio 43906

## CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Bellaire Local School District, Belmont County, Ohio, and issued a report dated February 23, 2016. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2016 of \$3,411,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2017 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2016.

DAVE YOST  
Auditor of State

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Unice S. Smith  
Chief of Local Government Services

April 21, 2016

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# Dave Yost • Auditor of State

Board of Education  
Bellaire Local School District  
340 34<sup>th</sup> Street  
Bellaire, Ohio 43906

## Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Bellaire Local School District for the fiscal year ending June 30, 2016. The Bellaire Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2013, 2014, and 2015 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

February 23, 2016

Bellaire Local School District  
 Belmont County  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Years Ended June 30, 2013 Through 2015 Actual;  
 For the Fiscal Year Ending June 30, 2016 Forecasted  
 General Fund

	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Forecasted
<b>Revenues</b>				
General Property Taxes	\$2,110,000	\$2,172,000	\$2,240,000	\$2,266,000
Unrestricted Grants-in-Aid	9,171,000	9,998,000	8,840,000	9,353,000
Restricted Grants-in-Aid	28,000	263,000	254,000	238,000
Restricted Federal Grants-in-Aid - SFSF and Education Jobs	16,000	0	0	0
Property Tax Allocation	343,000	344,000	342,000	356,000
All Other Revenues	969,000	920,000	1,015,000	974,000
<i>Total Revenues</i>	<u>12,637,000</u>	<u>13,697,000</u>	<u>12,691,000</u>	<u>13,187,000</u>
<b>Other Financing Sources</b>				
Sale of Capital Assets	0	0	11,000	6,000
Advances-In	83,000	0	0	0
<i>Total Other Financing Sources</i>	<u>83,000</u>	<u>0</u>	<u>11,000</u>	<u>6,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>12,720,000</u>	<u>13,697,000</u>	<u>12,702,000</u>	<u>13,193,000</u>
<b>Expenditures</b>				
Personal Services	5,028,000	5,137,000	4,954,000	4,976,000
Employees' Retirement/Insurance Benefits	2,558,000	2,664,000	2,818,000	2,854,000
Purchased Services	2,326,000	2,648,000	3,072,000	3,165,000
Supplies and Materials	409,000	448,000	372,000	368,000
Capital Outlay	84,000	186,000	313,000	225,000
Debt Service:				
Principal-Solvency Assistance Advance	1,524,000	887,000	0	0
Other Objects	139,000	134,000	126,000	115,000
<i>Total Expenditures</i>	<u>12,068,000</u>	<u>12,104,000</u>	<u>11,655,000</u>	<u>11,703,000</u>
<b>Other Financing Uses</b>				
Transfers Out	0	0	0	15,000
Advances Out	0	0	0	100,000
<i>Total Expenditures and Other Financing Uses</i>	<u>12,068,000</u>	<u>12,104,000</u>	<u>11,655,000</u>	<u>11,818,000</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	652,000	1,593,000	1,047,000	1,375,000
Cash Balance (Deficit) July 1	<u>(271,000)</u>	<u>381,000</u>	<u>1,974,000</u>	<u>3,021,000</u>
Cash Balance June 30	<u>381,000</u>	<u>1,974,000</u>	<u>3,021,000</u>	<u>4,396,000</u>
Actual/Estimated Encumbrances June 30	63,000	179,000	48,000	150,000
Restricted for:				
Budget Stabilization	0	0	0	635,000
Termination Benefits	0	0	0	200,000
Total Encumbrances and Restricted Fund Balance	<u>63,000</u>	<u>179,000</u>	<u>48,000</u>	<u>985,000</u>
Unencumbered/Unrestricted Fund Balance June 30	<u>\$318,000</u>	<u>\$1,795,000</u>	<u>\$2,973,000</u>	<u>\$3,411,000</u>

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

Bellaire Local School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2016

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**Note 1 – The School District**

The Bellaire Local School District (School District) is located in Belmont County and encompasses all of Pultney Township, areas of Richland Township and the Village of Bellaire. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one elementary school, one middle school, one high school, one administration building, two maintenance buildings and one bus garage. The School District employs 82 certified employees and 72 classified employees who provide services to 1,314 students and other community members.

**Note 2 – Nature of the Forecast**

This financial forecast presents, to the best of the Bellaire Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the General Fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 23, 2016, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecast and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 – Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the General Fund. Under State law, certain General Fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the General Fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the termination benefits fund, and the General Fund supported debt are included in the General Fund.

**Note 4 – Summary of Significant Accounting Policies**

**Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Bellaire Local School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2016

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**Fund Accounting**

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

General Fund – The General Fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds – Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

**Proprietary Funds**

Enterprise Funds – Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds are used to account and report for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Bellaire Local School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2016

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**Fiduciary Funds**

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

**Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Belmont County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources – The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances – The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**Note 5 – General Operating Assumptions**

The Bellaire Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Bellaire Local School District  
 Belmont County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2016

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**Note 6 – Significant Assumptions for Revenues and Other Financing Sources**

**General and Tangible Personal Property Taxes**

Property taxes are applied to real property, public utility real and personal property, and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Belmont County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2016 (the collection year) for real and public utility property taxes represents collections of 2015 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account “Property Tax Allocation”.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2017 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2016.

The property tax revenues for the General Fund are generated from several levies. The current levies being collected for the General Fund, the year approved, first and last year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Full Tax Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	\$4.50
Continuing Operating	1976	<u>23.00</u>
Total Tax Rate		<u><u>\$27.50</u></u>

The School District has other levies that total \$7.00 per \$1,000 of assessed value; \$3.50 is used for the payment of bonds issued for the construction of school facilities, \$0.50 is used for the upkeep of school facilities, and \$3.00 is used for permanent improvements. The School District’s total tax rate is \$34.50 per \$1,000 of assessed valuation.

Bellaire Local School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2016

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Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the General Fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the General Fund, the effective residential and agricultural real property tax rate was at \$20.00 per \$1,000 of assessed valuation for collection year 2016, and the effective commercial and industrial real property tax rate was \$20.00 per \$1,000 of assessed valuation for collection year 2016.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes.

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amounts shown in the revenue section of the forecast represent gross property tax revenue and are based upon information provided by the Belmont County Auditor. The School District anticipates an increase of \$26,000 in fiscal year 2016 due primarily to a slight increase in assessed valuation due to the triennial update.

**Unrestricted Grants-in-Aid**

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model (OEBM) to a new funding method. However, since a new funding mechanism was not formulated as of yet, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula was devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for

Bellaire Local School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2016

fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received at least the total funding it received in fiscal year 2011, after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continued to use the current fiscal year count taken during the first full week of October. This amount was then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the School District. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts were guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district received an increase greater than 6.25 percent for fiscal year 2014. These calculations did not change in fiscal year 2015. In fiscal year 2016, the SFPR continues to be used and the calculation of foundation funding is similar to the prior fiscal year.

Based on the most current foundation settlement, the School District estimates \$9,193,000 in foundation funding for fiscal year 2016, which represents an increase of \$516,000 over fiscal year 2015. During fiscal year 2014, the School District received \$560,000 in excess transportation funding as a result of inaccurate information reported to the Department of Education. This excess was withheld during fiscal year 2015 (see table below).

In addition to the State Foundation revenue, the School District also receives unrestricted grants-in-aid revenue from casino revenue and from Belmont County Department of Disabilities to assist in providing services to qualifying students. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population.

The School District is forecasted to receive a total of \$9,353,000 in unrestricted grants-in-aid.

Revenue Sources	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
<u>Foundation:</u>					
Unrestricted State Aid	\$9,145,000	\$9,833,000	\$9,237,000	\$9,193,000	(\$44,000)
Transportation Adjustment	0	0	(560,000)	0	560,000
Total Foundation	<u>\$9,145,000</u>	<u>\$9,833,000</u>	<u>\$8,677,000</u>	<u>\$9,193,000</u>	<u>\$516,000</u>
Casino Revenue	26,000	65,000	63,000	60,000	(3,000)
Department of Disabilities	0	100,000	100,000	100,000	0
Total Unrestricted	<u>\$9,171,000</u>	<u>\$9,998,000</u>	<u>\$8,840,000</u>	<u>\$9,353,000</u>	<u>\$513,000</u>

Bellaire Local School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2016

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**Restricted Grants-in-Aid**

Restricted grants-in-aid consists of revenue to aid career technologies programs and economically disadvantaged funding. For fiscal year 2016, the School District expects to receive \$8,000 in career technologies monies and \$230,000 in economically disadvantaged funding for a total restricted grants-in-aid amount of \$238,000, a \$16,000 decrease from fiscal year 2015.

**Property Tax Allocation**

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent and the two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 has adjusted the Homestead Exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed \$30,000. These changes reduce reimbursements from the State and increase real property tax revenue. Property tax allocation revenues are forecasted to be \$356,000 for fiscal year 2016 due to an increase in assessed values of taxable property.

**All Other Revenues**

All other revenues include tuition, extracurricular transportation, interest, rentals, student class fees, fingerprint fees, Medicaid (MSP) reimbursements, E-Rate and other revenue.

Open enrollment tuition revenue is expected to increase in fiscal year 2016 based on current enrollment, and the most recent data provided by the State Department of Education.

Other tuition primarily includes special education students and is expected to decrease from fiscal year 2015.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the General Fund. While interest rates are expected to hover around current rates, interest revenue is expected to increase proportionately with cash balances.

Rental revenue is anticipated to decrease from the prior fiscal year due primarily to charges for preschool students that attend the Bellaire Local School District preschool program from three school districts, Martins Ferry City School District, Shadyside Local School District, and Bridgeport Exempted Village School District. Historically, Bellaire Local School District received rental revenue from the participating school districts; however, for fiscal year 2016 the rental revenue is being paid to the East Central Ohio Educational Service Center (ESC). The ESC began administering the preschool program to participating school districts in fiscal year 2016.

Student class fees are forecasted to decrease from fiscal year 2015.

Medicaid reimbursements are expected to be lower than the prior fiscal year due to a “true up” for prior years being received in fiscal year 2015.

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Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2016

E-rate revenue is expected to remain consistent with amounts received in the prior fiscal year.

Other revenue includes a variety of miscellaneous items, as well as a fiscal charge reimbursement from the Student Services Fund and the Elementary Childhood Counseling Grant Fund. At the end of each fiscal year the School District calculates what portion of fiscal charges was used by the Student Services Fund and charges the Elementary Counseling Program Grant Fund four percent of the fiscal year allocation. This amount is then reimbursed to the General Fund and is recorded as other revenue in the General Fund.

All other revenues consist of the following:

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
Open Enrollment Tuition	\$608,000	\$534,000	\$594,000	\$652,000	\$58,000
Other Tuition	198,000	192,000	119,000	110,000	(9,000)
Extracurricular Transportation	1,000	8,000	6,000	6,000	0
Interest	9,000	12,000	17,000	19,000	2,000
Rentals	9,000	9,000	30,000	11,000	(19,000)
Student Class Fees	17,000	13,000	20,000	17,000	(3,000)
Fingerprint Fees	5,000	0	1,000	1,000	0
Medicaid Reimbursements	43,000	65,000	120,000	74,000	(46,000)
E-Rate	58,000	42,000	45,000	45,000	0
Other	21,000	45,000	63,000	39,000	(24,000)
Totals	<u>\$969,000</u>	<u>\$920,000</u>	<u>\$1,015,000</u>	<u>\$974,000</u>	<u>(\$41,000)</u>

**Other Financing Sources**

Revenue from the sale of School District assets varies each year and is based upon how many assets the School district is disposing of in a given year. In the prior fiscal year, the School District sold a mobile classroom and a dump truck. During fiscal year 2016, the School District sold a bus for \$6,000.

**Note 7 – Significant Assumptions for Expenditures and Other Financing Uses**

**Personal Services**

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by administrative contractual agreements. Staffing levels for the last three fiscal years and the forecast period have remained relatively consistent.

The following is a comparison of salaries and wages for fiscal year 2013, 2014, and 2015 and the forecast period.

Bellaire Local School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2016

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
Certified Salaries	\$3,411,000	\$3,438,000	\$3,399,000	\$3,296,000	(\$103,000)
Classified Salaries	1,149,000	1,243,000	1,235,000	1,220,000	(15,000)
Substitute Wages	242,000	242,000	244,000	238,000	(6,000)
Severance	212,000	198,000	63,000	203,000	140,000
Other Salaries and Wages	14,000	16,000	13,000	19,000	6,000
Total	<u>\$5,028,000</u>	<u>\$5,137,000</u>	<u>\$4,954,000</u>	<u>\$4,976,000</u>	<u>\$22,000</u>

On December 9, 2013, the Board of Education approved a labor agreement with the Ohio Association of Public School Employees, which represents the classified staff of the School District. The agreement is effective July 1, 2013 through June 30, 2016. On November 17, 2015, the Board of Education approved a labor agreement with the Bellaire Education Association that represents the certified teaching staff of the School District. The agreement is effective July 1, 2014 through June 30, 2016. The agreement calls for a two percent base salary increase. The labor agreement does not include step or column increases (for experience or increased education). On November 17, 2015, the Board of Education also approved a two percent salary increase for non-union staff, retroactive to July 1, 2015.

The forecasted salaries are based on current staffing and pay scales provided in the respective labor agreements. The forecast reflects a decrease in certified salaries primarily due to staffing changes from the prior year. For the forecast period, the School District is realizing cost reductions as a result of certified staff retirements; staff being replaced at lower rates; and certified staff savings through the retire/rehire policy. The decrease in certified staff salaries is also partially due to cost reductions associated with administrative staff turnover from the prior year. Cumulatively, these cost reductions were sufficient to offset the two percent base salary increase in effect for fiscal year 2016.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the criteria set by STRS or SERS. As part of the current negotiated agreement, severance paid to certified employees hired prior to July 1, 2012 is equal to thirty-five percent of their unused sick leave, not to exceed a total of 96.25 days paid, and all certified employees hired after July 1, 2012 will receive severance pay that is equal to twenty-five percent of their total sick leave, not to exceed 68.75 days paid. As part of the current negotiated agreement, severance paid to classified employees hired prior to July 1, 2013 is equal to thirty-five percent of their unused sick leave, not to exceed a total of 91 days paid, and all classified employees hired after July 1, 2013 will receive severance pay that is equal to twenty-five percent of their total sick leave, not to exceed 65 days paid. Severance is paid in one lump sum after the employee provides verification of retirement from STRS/SERS. Severance payments are forecasted in the amount of \$203,000 for fiscal year 2016.

**Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care and other insurance benefits, workers compensation, and Medicare, other benefits arising from the negotiated agreements.

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The following is a comparison of employees' retirement and benefits for fiscal years 2013, 2014, 2015, and the forecast period:

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
Employer's Retirement	\$1,031,000	\$957,000	\$1,015,000	\$1,001,000	(\$14,000)
Health Care/Life Insurance	1,441,000	1,614,000	1,713,000	1,751,000	38,000
Workers' Compensation	22,000	27,000	30,000	33,000	3,000
Medicare	56,000	65,000	60,000	65,000	5,000
Unemployment	8,000	1,000	0	4,000	4,000
Totals	<u>\$2,558,000</u>	<u>\$2,664,000</u>	<u>\$2,818,000</u>	<u>\$2,854,000</u>	<u>\$36,000</u>

Employer's retirement costs are based on the employers' contribution rate of 14 percent of gross wages for both the STRS and SERS retirement systems and portions of the employees' contribution paid by the Board of Education. The School District also pays 7 percent of the employees' retirement (partial pick up) for teaching employees hired prior to July 1, 2012, 10 percent (full pick up) for administrative employees, and 4 percent (partial pick up) of the classified employees' contributions. The current labor agreement continues the elimination of partial pick up of retirement contributions for all teaching employees hired after July 1, 2012. The forecasted retirement also includes the SERS surcharge to fund health care benefits for employees earning less than \$23,000. Payments for the employers' share of the retirements are made based upon estimated salary and wages for each fiscal year, which are withheld from the bi-monthly State Foundation payments. The School District remits the employees' contributions to the retirement systems following each payroll.

In prior fiscal years, SERS has been paid six months in arrears by Ohio school districts. In order to eliminate the arrearage, on March 18, 2010, the SERS board decided to provide school districts two options. Option one was for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the subsequent six years adding the arrearage to the current payment. Bellaire Local School District chose option two, and as a result, additional payments have been withheld from foundation settlements during the fiscal year to eliminate the School District's arrearage amount. During fiscal year 2016, the School District will have the remaining \$27,000 withheld from foundation.

In fiscal year 2016, the School District paid \$17,000 to SERS as an adjustment for the salary estimate submitted by the School District for classified wages for fiscal year 2015. This is a decrease from the \$24,000 the School District paid to SERS in fiscal year 2015 for the fiscal year 2014 salary estimate. The School District is forecasting a decrease in employer's retirement primarily due to the salary estimates submitted to the retirement systems by the School District, as well as the forecasted decrease in salaries.

The School District provides medical/surgical, prescription drug, and dental care on a self-insured basis, and provides vision and life benefits through separate insurance carriers. Rates for the self-insured coverage are based on recommended amounts from the School District's third party administrator and adopted by the Board of Education on a yearly basis. Health, prescription drug, and dental rates are effective October 1 each year, with all other insurance rates effective September 1. Effective October 1, 2015, there was a premium increase of approximately 4.6 percent for the remainder of fiscal year 2016. The total monthly premium for health insurance is \$730.79 for single and \$1,774.11 for family coverage. The Board of Education pays 90 percent and 85 percent of the total premium for classified and certified employees respectively. The Board of Education also pays 100 percent of the monthly premiums of \$62.18 for dental insurance, \$15.77 for vision insurance, and \$8.00 for a \$50,000 life insurance policy.

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All funds are charged for the number of employees' participating in the program and the type (single or family) of coverage provided to each employee. An increase is forecasted for insurance benefits due to the increase in health care premium.

Worker's Compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. In previous years, premiums were paid in the following calendar year. Beginning in calendar year 2016, the Bureau of Worker's Compensation (BWC) is transitioning to prospective billing. The policy year 2016 bill will include payment on calendar year 2015 wages and on calendar year 2016 estimated wages. For this transition policy year, the BWC is giving a 50 percent credit on the retrospective bill on 2015 wages and a 50 percent credit on the prospective bill on 2016 wages. The School District is forecasted to pay the entire premium for calendar years 2015 and 2016 during fiscal year 2016. The workers' compensation amount for fiscal year 2016 is forecast to remain comparable to the prior fiscal year due to the above mentioned credits.

Medicare is based on a percentage of wages and is estimated to increase in fiscal year 2016, due to Medicare taxes on severance payments, which have increased from the prior year.

For fiscal year 2016, unemployment is forecasted to increase from the prior fiscal year, due to the elimination of the EMIS coordinator position during the forecast period.

**Purchased Services**

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

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
Professional and Technical Services	\$53,000	\$83,000	\$80,000	\$108,000	\$28,000
Property Services	92,000	88,000	109,000	142,000	33,000
Travel and Meeting Expenses	11,000	8,000	7,000	23,000	16,000
Communication Costs	72,000	91,000	107,000	86,000	(21,000)
Utility Services	271,000	305,000	394,000	391,000	(3,000)
Tuition Payments	1,827,000	2,073,000	2,375,000	2,415,000	40,000
Totals	<u>\$2,326,000</u>	<u>\$2,648,000</u>	<u>\$3,072,000</u>	<u>\$3,165,000</u>	<u>\$93,000</u>

The overall increase in purchased services was due mainly to increases in tuition payments, professional and technical services and property services which were offset by decreases in communication cost, and utility services.

Tuition payments are expected to increase in fiscal year 2016 mainly due to increases for open enrollment. Professional and technical services increased primarily due to School District electing mid-year to contract with OME-RESA for an EMIS Coordinator. The property services increased due to a one-time charge for a fuel education program. Communication cost decreased due to a new telephone system upgrade.

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**Supplies and Materials**

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$125,000	\$132,000	\$154,000	\$153,000	(\$1,000)
Textbooks	0	0	0	4,000	4,000
Maintenance Supplies	37,000	60,000	40,000	40,000	0
Operations, Maintenance and Repair	247,000	256,000	178,000	171,000	(7,000)
Totals	<u>\$409,000</u>	<u>\$448,000</u>	<u>\$372,000</u>	<u>\$368,000</u>	<u>(\$4,000)</u>

General supplies, library books, and periodicals are expected to continue to decrease slightly in fiscal year 2016. Textbook purchases are expected to increase due to the replenishment of textbooks, because in prior years, no textbooks were purchased from the General Fund. Operations, maintenance and repair expenditures are expected to decrease in fiscal year 2016 due to lower fuel prices for the School District's buses and a newer fleet which requires less maintenance.

**Capital Outlay**

Presented below are the capital outlay expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
Capital Outlay	<u>\$84,000</u>	<u>\$186,000</u>	<u>\$313,000</u>	<u>\$225,000</u>	<u>(\$88,000)</u>

The School District is currently using the casino revenue tax for capital improvement expenditures. During fiscal year 2016, the School District anticipates capital outlay expenditures for the purchase of two new buses and technology upgrades.

**Other Objects**

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecast in the amount of \$115,000 for fiscal year 2016, which is slightly lower than the prior fiscal year due to a decrease in election cost.

**Transfers and Advances Out**

For fiscal year 2016, \$15,000 in transfers out to the Building Capital Projects Fund for Qualified Zone Academy Bonds issuance costs is forecasted. For fiscal year 2016, \$100,000 in advances to federal grant funds are expected to cover deficit balances until Federal Funds are requested and received.

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**Note 8 – Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditures at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the General Fund cash balance. Encumbrances for purchased services, supplies and materials, and other objects for the fiscal year ended June 30, 2016, are expected to be \$150,000.

**Note 9 – Restrictions of Fund Balance**

The School District is required by State statute to annually set aside in the General Fund three percent of certain revenues for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

Under Sections 3315.17(B)(2) and 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the capital improvement set aside. School District continues to collect Permanent Improvement and Classroom Facilities Maintenance levies that will offset the full fiscal year 2016 set aside requirement; therefore the School District will not waive the set-aside requirement, and is not forecasting an amount to be set aside at June 30, 2016.

On October 13, 2014 the Board of Education, in accordance with Ohio Revised Code Section 5705.13(A)(1), approved the establishment of a Reserve Balance Account within the General Fund representing “one month of actual cash operating reserves,” not to exceed five percent of General Fund revenue from the preceding year. For fiscal year 2016, \$635,000 is projected to be set aside for the Budget Stabilization Reserve Balance Account. Under the authority of Ohio Revised Code Section 5705.13(B), the Board of Education also approved the establishment of a special revenue fund to accumulate resources for the payment of the School District’s liabilities associated with staff retirements. For fiscal year 2016, this fund is forecasted to be funded in the amount of \$200,000, and the termination benefits special revenue fund is included with the General Fund for forecasting purposes.

**Note 10 – Pending Litigation**

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

**Note 11 – Levies**

Since 2006, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

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Date	Type	Amount	Term	Election Results
April 2, 2006	Permanent Improvement (Renewal)	3.00 mills	5 Years	Passed
May 4, 2010	Emergency	1,396,200	5 Years	Failed
November 2, 2010	Emergency	1,396,200	5 Years	Failed
May 3, 2011	Income Tax	1%	5 Years	Failed
November 8, 2011	Permanent Improvement (Renewal)	3.00 mills	5 Years	Passed
November 8, 2011	Income Tax	1%	5 Years	Failed
November 6, 2012	Emergency	8.72 mills	5 Years	Failed
May 7, 2013	Emergency	5.9 mills	5 Years	Failed
November 5, 2013	Emergency	5.9 mills	5 Years	Failed
May 6, 2014	Emergency	5.9 mills	5 Years	Failed
November 3, 2015	Permanent Improvement (Renewal)	3.00 mills	5 Years	Passed

**Note 12 – Employee Benefits Self-Insurance Fund**

The School District provides medical/surgical, prescriptions, and dental benefits through two separate self-insurance programs. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are recommended by the third party administrator and approved by the Board of Education. The School District has shared risk pool coverage with Jefferson Health Plan Self-Insurance Plan, which covers individual claims in excess of \$50,000 up to \$500,000 per employee per year for medical claims. The School District also has a stop loss coverage insurance policy through Jefferson Health Plan Self-Insurance Plan which covers individual claims in excess of \$500,000 per employee per year for medical claims. For fiscal year 2016, the School District anticipates premiums and stop loss reimbursements to be sufficient to cover the claims and administrative costs on a cash basis.

**Note 13 – Financial Planning and Supervision Commission**

On December 31, 2009, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission have been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Belmont County Auditor. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must in accordance with the plan.

The Commission approved the Bellaire Local School District’s initial financial recovery plan on September 29, 2010. Revised recovery plans have been submitted and approved annually, with the most recent revision being approved on October 6, 2014 for fiscal year 2015.

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**Note 14 – Information Related to Periods Beyond the Forecast Period**

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October of 2015 covered fiscal years 2016 through 2020 and assumes the continued operation of the School District with fairly consistent revenues. The most recently submitted forecast reflects a positive cash balance in fiscal years 2016 through fiscal year 2020. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2016 and will cover fiscal years 2016 through 2020.

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

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# Dave Yost • Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 21, 2016**