



Dave Yost • Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY
JUNE 30, 2016**

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BELMONT COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2017

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Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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, 2016. 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 2016 are as follows:

- Net position increased \$3,699,876.
- General revenues accounted for \$12,054,002 in revenue or approximately 61 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$7,629,430 or approximately 39 percent of total revenues of \$19,683,432.
- Total assets of governmental activities increased by \$9,791,404. Current assets increased by \$10,201,206 primarily due to increases in cash and cash equivalents, accounts receivable and prepaid items related to the issuance of qualified zone academy bonds. Capital assets decreased \$409,802 due primarily to depreciation expense on depreciable capital assets which was offset by capital asset additions.
- The School District had \$15,983,556 in expenses related to governmental activities; only \$7,629,430 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues of \$12,054,002 were adequate to provide for these programs.
- Total Governmental Funds had \$17,283,407 in revenues and \$16,351,104 in expenditures. Overall, including other financing sources and uses, total governmental fund balances increased \$6,938,503.

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District's activities are all considered to be Governmental Activities 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 11. 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 Qualified Zone Academy Capital Projects Fund, and the Debt Service Fund.

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

Reporting the District's Fiduciary Responsibilities

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

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to fiscal year 2015.

Table 1
Net Position

| | Government Activities | | Change |
|--|------------------------------|--------------------|--------------------|
| | 2016 | 2015 | |
| Assets | | | |
| Current and Other Assets | \$21,800,557 | \$11,599,351 | \$10,201,206 |
| Capital Assets | 16,462,471 | 16,872,273 | (409,802) |
| Total Assets | 38,263,028 | 28,471,624 | 9,791,404 |
| Deferred Outflows of Resources | | | |
| Pension | 1,340,163 | 915,124 | 425,039 |
| Liabilities | | | |
| Current and Other Liabilities | 1,625,268 | 1,520,635 | 104,633 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 360,822 | 466,369 | (105,547) |
| Due in More Than One Year: | | | |
| Net Pension Liability | 13,993,074 | 12,574,419 | 1,418,655 |
| Other Amounts | 8,100,497 | 2,301,550 | 5,798,947 |
| Total Liabilities | 24,079,661 | 16,862,973 | 7,216,688 |
| Deferred Inflows of Resources | | | |
| Property Taxes | 3,210,433 | 2,745,470 | 464,963 |
| Pension | 1,088,174 | 2,253,258 | (1,165,084) |
| Total Deferred Inflows of Resources | 4,298,607 | 4,998,728 | (700,121) |
| Net Position | | | |
| Net Investment in Capital Assets | 12,610,230 | 15,080,215 | (2,469,985) |
| Restricted | 7,864,460 | 3,640,226 | 4,224,234 |
| Unrestricted (Deficit) | (9,249,767) | (11,195,394) | 1,945,627 |
| Total Net Position | \$11,224,923 | \$7,525,047 | \$3,699,876 |

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets of governmental activities increased \$9,791,404. Currents assets increased by \$10,201,206 primarily due to increases in cash and cash equivalents. In addition, accounts receivable increased by \$2,462,486 and prepaid items increased by \$1,214,833 due to the issuance of Qualified Zone Academy Bonds (QZAB) and from private contributions to purchase software licensing for the Science, Technology, Engineering and Mathematics Academy. Capital assets decreased \$409,802 due primarily to annual depreciation expense on depreciable capital assets.

The School District's total liabilities increased \$7,216,688. Long-term liabilities increased \$7,112,055, primarily due to the issuance of Qualified Zone Academy Bonds (QZAB). Current and other liabilities increased slightly as a result of contracts payable for new lighting costs associated with the QZAB project which was offset by decreases for matured severance payable.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2 shows the changes in net position for fiscal year 2016 compared to fiscal year 2015.

| | Government Activities | | |
|---|------------------------------|---------------------------|---------------------------|
| | 2016 | 2015 | Change |
| Revenues | | | |
| <i>Program Revenue</i> | | | |
| Charges for Services and Sales | \$1,321,975 | \$1,400,310 | (\$78,335) |
| Operating Grants and Contributions | 6,307,455 | 3,497,308 | 2,810,147 |
| <i>Total Program Revenue</i> | <u>7,629,430</u> | <u>4,897,618</u> | <u>2,731,812</u> |
| <i>General Revenue</i> | | | |
| Property Taxes | 2,967,047 | 2,899,026 | 68,021 |
| Grants and Entitlements | 8,927,824 | 8,413,527 | 514,297 |
| Gifts and Donations | 93,062 | 9,729 | 83,333 |
| Investments | 36,427 | 27,665 | 8,762 |
| Miscellaneous | 29,642 | 30,898 | (1,256) |
| <i>Total General Revenue</i> | <u>12,054,002</u> | <u>11,380,845</u> | <u>673,157</u> |
| Total Revenues | <u>19,683,432</u> | <u>16,278,463</u> | <u>3,404,969</u> |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | 6,781,995 | 5,772,915 | 1,009,080 |
| Special | 1,730,207 | 1,998,808 | (268,601) |
| Vocational | 60,421 | 48,526 | 11,895 |
| Student Intervention Services | 247,607 | 229,759 | 17,848 |
| Support Services: | | | |
| Pupil | 1,227,338 | 1,440,939 | (213,601) |
| Intergovernmental | 185,120 | 256,079 | (70,959) |
| Instructional Staff | 251,240 | 107,338 | 143,902 |
| Board of Education | 24,278 | 22,242 | 2,036 |
| Administration | 939,986 | 911,716 | 28,270 |
| Fiscal | 575,482 | 574,409 | 1,073 |
| Operation and Maintenance of Plant | 1,755,330 | 1,671,812 | 83,518 |
| Pupil Transportation | 918,568 | 1,033,137 | (114,569) |
| Central | 1,008 | 988 | 20 |
| Operation of Non-Instructional Services | 147,012 | 190,360 | (43,348) |
| Food Service Operations | 557,909 | 574,409 | (16,500) |
| Extracurricular Activities | 364,201 | 396,089 | (31,888) |
| Interest and Fiscal Charges | 215,854 | 88,445 | 127,409 |
| Total Expenses | <u>15,983,556</u> | <u>15,317,971</u> | <u>665,585</u> |
| Change in Net Position | 3,699,876 | 960,492 | 2,739,384 |
| Net Position Beginning of Year | <u>7,525,047</u> | <u>6,564,555</u> | <u>960,492</u> |
| Net Position End of Year | <u><u>\$11,224,923</u></u> | <u><u>\$7,525,047</u></u> | <u><u>\$3,699,876</u></u> |

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

In fiscal year 2016, 15 percent of the School District's revenues were from property taxes, and 45 percent were from unrestricted grants and entitlements. Program revenue charges for services and operating grants and contributions increased \$2,731,812 from the prior fiscal year. This increase is due primarily to the private contributions associated with the Qualified Zone Academy Bond issue project. The increase was offset slightly by the loss of Straight A funding from the prior fiscal year.

Instruction comprises approximately 55 percent of total governmental program expenses. Of the instructional expenses approximately 77 percent is for regular instruction, approximately 20 percent is for special instruction, approximately 1 percent is for vocational instruction, and approximately 2 percent is for student intervention services. Overall program expenses increased over the prior fiscal year in the amount of \$665,585, primarily due to depreciation on capital assets.

The Statement of Activities shows the cost of program services and the charges for services and sales, operating grants and contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2016 compared to fiscal year 2015. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|---|-------------------------------|---------------------|-----------------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Instruction: | | | | |
| Regular | \$6,781,995 | \$5,772,915 | \$2,926,334 | \$4,850,307 |
| Special | 1,730,207 | 1,998,808 | (87,001) | 127,969 |
| Vocational | 60,421 | 48,526 | 48,442 | 39,576 |
| Student Intervention Services | 247,607 | 229,759 | 161,724 | 151,755 |
| Support Services: | | | | |
| Pupil | 1,227,338 | 1,440,939 | 860,444 | 1,024,086 |
| Intergovernmental | 185,120 | 256,079 | (19,715) | 16,928 |
| Instructional Staff | 251,240 | 107,338 | 182,669 | 57,598 |
| Board of Education | 24,278 | 22,242 | 24,278 | 22,242 |
| Administration | 939,986 | 911,716 | 905,563 | 888,334 |
| Fiscal | 575,482 | 574,409 | 512,121 | 513,326 |
| Operation and Maintenance of Plant | 1,755,330 | 1,671,812 | 1,563,552 | 1,497,630 |
| Pupil Transportation | 918,568 | 1,033,137 | 918,568 | 968,237 |
| Central | 1,008 | 988 | 1,008 | 988 |
| Operation of Non-Instructional Services | 147,012 | 190,360 | 34,592 | 33,875 |
| Food Service Operations | 557,909 | 574,409 | (23,066) | (25,551) |
| Extracurricular Activities | 364,201 | 396,089 | 128,759 | 164,608 |
| Interest and Fiscal Charges | 215,854 | 88,445 | 215,854 | 88,445 |
| Total Expenses | <u>\$15,983,556</u> | <u>\$15,317,971</u> | <u>\$8,354,126</u> | <u>\$10,420,353</u> |

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 53 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, 2016
Unaudited

The School District's Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The School District has three major funds, the General Fund, the Qualified Zone Academy Capital Projects, and the Debt Service Fund. The General Fund had revenues in the amount of \$13,362,900 and expenditures in the amount of \$11,792,672. Including other financing sources and uses, the balance of the General Fund increased \$1,561,758. The Qualified Zone Academy Capital Projects Fund had revenues in the amount of \$607,959 and expenditures in the amount of \$1,304,759. Including other financing sources, the balance of the Qualified Zone Academy Capital Projects Fund increased \$5,317,870. The Debt Service Fund had revenues in the amount of \$448,146 and expenditures in the amount of \$314,853 which resulted in a fund balance increase of \$133,293.

Budgeting Highlights

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

During the course of fiscal 2016 the School District amended its General Fund estimated resources, and the budgetary statements reflect both the original and final amounts. The changes between the original and final budget reflected increases for intergovernmental revenues and for tuition and fees. The actual results of operations were different than the budgeted amounts with intergovernmental revenue the most significant. There were variances between original and final appropriations most notably in regular instruction. In total, actual expenditures were less than budgeted, however expenditures for most functions exceeded budgeted amounts as the majority of appropriations were budgeted to regular instruction.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016 the School District had \$16,462,471 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

Table 4
Capital Assets Net of Depreciation
Government Activities

| | 2016 | 2015 |
|----------------------------|---------------------|---------------------|
| Land | \$718,812 | \$718,812 |
| Construction in Progress | 191,085 | 0 |
| Land Improvements | 550,281 | 645,135 |
| Buildings and Improvements | 13,687,635 | 14,504,822 |
| Furniture and Equipment | 398,419 | 425,326 |
| Vehicles | 916,239 | 578,178 |
| Totals | \$16,462,471 | \$16,872,273 |

For more information on capital assets see Note 8 to the basic financial statements.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Debt

At June 30, 2016 the School District had \$7,713,631 in general obligation bonds and \$31,125 in capital leases outstanding.

Table 5 summarizes debt outstanding:

| | Table 5 | |
|---|-------------------------------------|--------------|
| | Outstanding Debt at Year End | |
| | Governmental Activities | |
| | 2016 | 2015 |
| 2015 Qualified Zone Academy Bonds | \$6,000,000 | \$0 |
| 2009 School Improvement Refunding Bonds | | |
| Serial Bonds | 1,140,000 | 1,395,000 |
| Capital Appreciation Bonds | 249,996 | 249,996 |
| CAB Accretion | 245,604 | 200,733 |
| Premium | 78,031 | 91,037 |
| Total General Obligation Bonds | 7,713,631 | 1,936,766 |
| Capital Leases | 31,125 | 56,025 |
| Total | \$ 7,744,756 | \$ 1,992,791 |

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

Economic Factors

The Bellaire Local School District continues to experience financial difficulty, as reflected in the financial statements. As the change in fund balances and net position reflect, the adopted spending reduction plan is making progress in addressing the fiscal issues. As the preceding information indicates, the School District relies heavily on State funding as well as property taxpayers. During fiscal year 2010, the School District was declared in Fiscal Emergency. The School District has received State Operating Advances in fiscal years 2010, 2011, and 2012 in the amounts of \$3,667,000, \$1,273,000, and \$1,775,000 respectively. These are zero interest advances of State Foundation funding that will be repaid through reductions of State Foundation revenue, each over a two year period. The last advance payment was made in June of 2014. The School District has implemented spending reduction plans as part of the requirements under the fiscal emergency legislation. The most recent reduction plan included an additional \$706,547 in cost savings beginning in fiscal year 2016. Overall since 2009, the School District has made reductions in excess of 5 million. As part of the plan to address the current financial situation, the School District placed a five-year, 8.72 Mill Emergency Tax Levy on the November 6, 2012 ballot, an 8.25 Mil Emergency Tax Levy on the May 7th, 2013 ballot and a 5.9 Mil Emergency Tax Levy on November 5th, 2013 all of which were defeated by the voters of the Bellaire Local School District. The School District is currently implementing the revised 2017 recovery plan in order to become fiscally solvent. The district attempted another emergency tax levy on the November 8, 2016 ballot. The levy did not pass. See Subsequent Event Note 23 for more details.

Although the School District is experiencing financial difficulty, the School District obtained an "Excellent" rating on the state report card for fiscal year 2013, and remains the Pride of the "All-American Town." The mission statement of the Bellaire Local School District is to "Strive to develop students who will become productive citizens in both school and later in the community. 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 65 percent of the School District's students are economically disadvantaged and 20 percent are identified as students with disabilities.

Bellaire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Highlighting the year is a separate program, under the direction of the Board of Education, called the STEM Academy. STEM is an acronym for Science, Technology, Engineering, and Mathematics. A STEM school focuses on these subjects to help our nation's youth gain the skills required to succeed in today's challenging world. This includes the ability to think critically, solve complex problems, and drive advancements in science and technology. Our students will experience a rigorous high school/college curriculum, where upon completion they will receive a high school diploma and or an employable skill certification. This program was made possible through the National Education Foundation and the Qualified Zone Academy Bonds. Its value to the district is \$1.35 million.

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

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Bellaire Local School District
Statement of Net Position
June 30, 2016

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$12,376,098 |
| Accounts Receivable | 2,496,129 |
| Intergovernmental Receivable | 588,110 |
| Investments | 14,821 |
| Prepaid Items | 1,217,066 |
| Materials and Supplies Inventory | 88,500 |
| Property Taxes Receivable | 3,874,546 |
| Cash and Cash Equivalents with Fiscal Agents | 1,145,287 |
| Non-Depreciable Capital Assets | 909,897 |
| Depreciable Capital Assets, Net | 15,552,574 |
| <i>Total Assets</i> | 38,263,028 |
| Deferred Outflows of Resources | |
| Pension | 1,340,163 |
| Liabilities | |
| Accounts Payable | 59,076 |
| Contracts Payable | 191,085 |
| Accrued Wages and Benefits Payable | 819,954 |
| Intergovernmental Payable | 246,984 |
| Matured Severance Payable | 30,702 |
| Vacation Benefits Payable | 53,096 |
| Accrued Interest Payable | 3,325 |
| Claims Payable | 221,046 |
| Long-Term Liabilities: | |
| Due Within One Year | 360,822 |
| Due In More Than One Year | |
| Net Pension Liability (See Note 10) | 13,993,074 |
| Other Amounts Due in More Than One Year | 8,100,497 |
| <i>Total Liabilities</i> | 24,079,661 |
| Deferred Inflows of Resources | |
| Property Taxes | 3,210,433 |
| Pension | 1,088,174 |
| <i>Total Deferred Inflows of Resources</i> | 4,298,607 |
| Net Position (Deficit) | |
| Net Investment in Capital Assets | 12,610,230 |
| Restricted for: | |
| Capital Projects | 4,858,332 |
| Debt Service | 1,215,611 |
| Classroom Facilities Maintenance | 827,390 |
| State Programs | 176,666 |
| Federal Programs | 228,372 |
| Food Service | 333,157 |
| Other Purposes | 224,932 |
| Unrestricted | (9,249,767) |
| <i>Total Net Position</i> | \$11,224,923 |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

| | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|---------------------|-----------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions |
| Governmental Activities | | | Governmental Activities |
| Instruction: | | | |
| Regular | \$6,781,995 | \$714,783 | \$3,140,878 |
| Special | 1,730,207 | 0 | 1,817,208 |
| Vocational | 60,421 | 0 | 11,979 |
| Student Intervention Services | 247,607 | 0 | 85,883 |
| Support Services: | | | |
| Pupil | 1,227,338 | 63,317 | 303,577 |
| Intergovernmental | 185,120 | 0 | 204,835 |
| Instructional Staff | 251,240 | 0 | 68,571 |
| Board of Education | 24,278 | 0 | 0 |
| Administration | 939,986 | 0 | 34,423 |
| Fiscal | 575,482 | 0 | 63,361 |
| Operation and Maintenance of Plant | 1,755,330 | 85,048 | 106,730 |
| Pupil Transportation | 918,568 | 0 | 0 |
| Central | 1,008 | 0 | 0 |
| Operation of Non-Instructional Services | 147,012 | 112,420 | 0 |
| Food Service Operations | 557,909 | 110,965 | 470,010 |
| Extracurricular Activities | 364,201 | 235,442 | 0 |
| Interest and Fiscal Charges | 215,854 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>\$15,983,556</u> | <u>\$1,321,975</u> | <u>\$6,307,455</u> |
| General Revenues | | | |
| Property Taxes Levied for General Purposes | | | 2,330,766 |
| Property Taxes Levied for Capital Outlay | | | 207,999 |
| Property Taxes Levied for Debt Service | | | 385,152 |
| Property Taxes Levied for Classroom Facilities Maintenance | | | 43,130 |
| Grants and Entitlements not Restricted to Specific Programs | | | 8,927,824 |
| Gifts and Donations | | | 93,062 |
| Investment Earnings | | | 36,427 |
| Miscellaneous | | | 29,642 |
| <i>Total General Revenues</i> | | | <u>12,054,002</u> |
| Change in Net Position | | | 3,699,876 |
| <i>Net Position Beginning of Year</i> | | | <u>7,525,047</u> |
| <i>Net Position End of Year</i> | | | <u>\$11,224,923</u> |

See accompanying notes to the basic financial statements

Bellaire Local School District
Balance Sheet
Governmental Funds
June 30, 2016

| | General | Qualified Zone Academy | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$4,421,741 | \$4,293,955 | \$1,127,915 | \$2,407,200 | \$12,250,811 |
| Investments | 0 | 0 | 0 | 14,821 | 14,821 |
| Receivables: | | | | | |
| Property Taxes | 2,993,273 | 0 | 559,109 | 322,164 | 3,874,546 |
| Intergovernmental | 168,325 | 0 | 0 | 419,785 | 588,110 |
| Interfund | 129,279 | 0 | 0 | 0 | 129,279 |
| Accounts | 0 | 2,408,000 | 0 | 0 | 2,408,000 |
| Prepaid Items | 2,066 | 1,215,000 | 0 | 0 | 1,217,066 |
| Materials and Supplies Inventory | 61,230 | 0 | 0 | 27,270 | 88,500 |
| <i>Total Assets</i> | <u>\$7,775,914</u> | <u>\$7,916,955</u> | <u>\$1,687,024</u> | <u>\$3,191,240</u> | <u>\$20,571,133</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$25,372 | \$0 | \$0 | \$33,704 | \$59,076 |
| Contracts Payable | 0 | 191,085 | 0 | 0 | 191,085 |
| Accrued Wages and Benefits Payable | 668,076 | 0 | 0 | 151,878 | 819,954 |
| Matured Severance Payable | 30,702 | 0 | 0 | 0 | 30,702 |
| Interfund Payable | 0 | 0 | 0 | 129,279 | 129,279 |
| Intergovernmental Payable | 211,996 | 0 | 0 | 34,988 | 246,984 |
| <i>Total Liabilities</i> | <u>936,146</u> | <u>191,085</u> | <u>0</u> | <u>349,849</u> | <u>1,477,080</u> |
| Deferred Inflows of Resources | | | | | |
| Property Taxes | 2,473,067 | 0 | 468,088 | 269,278 | 3,210,433 |
| Unavailable Revenue | 506,329 | 2,408,000 | 72,187 | 254,296 | 3,240,812 |
| <i>Total Deferred Inflows of Resources</i> | <u>2,979,396</u> | <u>2,408,000</u> | <u>540,275</u> | <u>523,574</u> | <u>6,451,245</u> |
| Fund Balances (Deficit) | | | | | |
| Nonspendable | | | | | |
| Inventories | 61,230 | 0 | 0 | 27,270 | 88,500 |
| Prepays | 2,066 | 1,215,000 | 0 | 0 | 1,217,066 |
| Restricted for: | | | | | |
| Capital Projects | 0 | 4,102,870 | 0 | 744,893 | 4,847,763 |
| Debt Service | 0 | 0 | 1,146,749 | 0 | 1,146,749 |
| Classroom Facilities Maintenance | 0 | 0 | 0 | 819,777 | 819,777 |
| State Programs | 0 | 0 | 0 | 176,666 | 176,666 |
| Federal Programs | 0 | 0 | 0 | 28,750 | 28,750 |
| Food Service | 0 | 0 | 0 | 308,110 | 308,110 |
| Other Purposes | 0 | 0 | 0 | 224,932 | 224,932 |
| Committed to: | | | | | |
| Termination Benefits | 196,453 | 0 | 0 | 0 | 196,453 |
| Assigned to Purchases on Order | 3,525 | 0 | 0 | 0 | 3,525 |
| Unassigned | 3,597,098 | 0 | 0 | (12,581) | 3,584,517 |
| <i>Total Fund Balances</i> | <u>3,860,372</u> | <u>5,317,870</u> | <u>1,146,749</u> | <u>2,317,817</u> | <u>12,642,808</u> |
| <i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | <u>\$7,775,914</u> | <u>\$7,916,955</u> | <u>\$1,687,024</u> | <u>\$3,191,240</u> | <u>\$20,571,133</u> |

See accompanying notes to the basic financial statements

Bellaire Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2016*

| | | |
|--|--------------------|----------------------------|
| Total Governmental Fund Balance: | | \$12,642,808 |
| <i>Amounts reported for governmental activities in the Statement of Net Position are different because</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 16,462,471 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Intergovernmental | 212,203 | |
| Property Taxes | 526,861 | |
| Tuition and Fees | 93,748 | |
| Contributions and Donations | <u>2,408,000</u> | |
| Total | | 3,240,812 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. | | 1,137,657 |
| Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. | | (53,096) |
| In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. | | (3,325) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| Qualified Zone Academy Bonds | 6,000,000 | |
| General Obligation Bonds - Serial | 1,140,000 | |
| General Obligation Bonds - Capital Appreciation | 249,996 | |
| Accretion of Capital Appreciation Bonds Interest | 245,604 | |
| Premium | 78,031 | |
| Capital Leases | 31,125 | |
| Intergovernmental Payable | 20,000 | |
| Compensated Absences | <u>696,563</u> | |
| Total | | (8,461,319) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds: | | |
| Deferred Outflows - Pension | 1,340,163 | |
| Net Pension Liability | (13,993,074) | |
| Deferred Inflows - Pension | <u>(1,088,174)</u> | |
| Total | | <u>(13,741,085)</u> |
| <i>Net Position of Governmental Activities</i> | | <u><u>\$11,224,923</u></u> |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

| | General | Qualified Zone Academy | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|---------------------------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Property Taxes | \$2,330,911 | \$0 | \$385,026 | \$254,248 | \$2,970,185 |
| Intergovernmental | 10,058,693 | 0 | 63,120 | 2,012,594 | 12,134,407 |
| Interest | 20,038 | 5,959 | 0 | 602 | 26,599 |
| Tuition and Fees | 820,320 | 0 | 0 | 72,745 | 893,065 |
| Extracurricular Activities | 69,049 | 0 | 0 | 166,393 | 235,442 |
| Rent | 35,048 | 0 | 0 | 50,000 | 85,048 |
| Gifts and Donations | 10,238 | 602,000 | 0 | 82,824 | 695,062 |
| Charges for Services | 0 | 0 | 0 | 213,957 | 213,957 |
| Miscellaneous | 18,603 | 0 | 0 | 11,039 | 29,642 |
| <i>Total Revenues</i> | <u>13,362,900</u> | <u>607,959</u> | <u>448,146</u> | <u>2,864,402</u> | <u>17,283,407</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 5,182,844 | 602,000 | 0 | 121,556 | 5,906,400 |
| Special | 1,170,707 | 0 | 0 | 574,532 | 1,745,239 |
| Vocational | 58,655 | 0 | 0 | 0 | 58,655 |
| Student Intervention Services | 173,148 | 0 | 0 | 77,617 | 250,765 |
| Support Services: | | | | | |
| Pupil | 851,642 | 0 | 0 | 431,296 | 1,282,938 |
| Intergovernmental | 0 | 0 | 0 | 185,120 | 185,120 |
| Instructional Staff | 3,310 | 135,000 | 0 | 54,632 | 192,942 |
| Board of Education | 19,400 | 0 | 0 | 0 | 19,400 |
| Administration | 986,786 | 0 | 0 | 26,819 | 1,013,605 |
| Fiscal | 548,496 | 0 | 9,790 | 6,571 | 564,857 |
| Operation and Maintenance of Plant | 1,559,053 | 191,085 | 0 | 365,793 | 2,115,931 |
| Pupil Transportation | 1,049,607 | 242,004 | 0 | 5,106 | 1,296,717 |
| Operation of Non-Instructional Services | 0 | 0 | 0 | 149,578 | 149,578 |
| Food Service Operations | 0 | 0 | 0 | 555,566 | 555,566 |
| Extracurricular Activities | 189,024 | 0 | 0 | 151,499 | 340,523 |
| Capital Outlay | 0 | 0 | 0 | 208,235 | 208,235 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 255,000 | 24,900 | 279,900 |
| Interest and Fiscal Charges | 0 | 0 | 50,063 | 0 | 50,063 |
| Issuance Costs | 0 | 134,670 | 0 | 0 | 134,670 |
| <i>Total Expenditures</i> | <u>11,792,672</u> | <u>1,304,759</u> | <u>314,853</u> | <u>2,938,820</u> | <u>16,351,104</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | 1,570,228 | (696,800) | 133,293 | (74,418) | 932,303 |
| Other Financing Sources (Uses) | | | | | |
| Qualified Zone Academy Bonds Issued | 0 | 6,000,000 | 0 | 0 | 6,000,000 |
| Sale of Capital Assets | 6,200 | 0 | 0 | 0 | 6,200 |
| Transfers In | 0 | 14,670 | 0 | 0 | 14,670 |
| Transfers Out | (14,670) | 0 | 0 | 0 | (14,670) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(8,470)</u> | <u>6,014,670</u> | <u>0</u> | <u>0</u> | <u>6,006,200</u> |
| <i>Net Change in Fund Balances</i> | 1,561,758 | 5,317,870 | 133,293 | (74,418) | 6,938,503 |
| <i>Fund Balances Beginning of Year - Restated (Note 3)</i> | <u>2,298,614</u> | <u>0</u> | <u>1,013,456</u> | <u>2,392,235</u> | <u>5,704,305</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$3,860,372</u></u> | <u><u>\$5,317,870</u></u> | <u><u>\$1,146,749</u></u> | <u><u>\$2,317,817</u></u> | <u><u>\$12,642,808</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, 2016*

Net Change in Fund Balances - Total Governmental Funds \$6,938,503

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 | 758,227 | |
| Current Year Depreciation | (1,108,292) | |
| Total | | (350,065) |

Capital Assets removed from the capital asset account on the Statement of Net Position results in a loss on disposal of capital assets on the Statement of Activities (59,737)

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

| | | |
|-----------------------------|-----------|-----------|
| Intergovernmental | 90,872 | |
| Property Taxes | (3,138) | |
| Tuition and Fees | (105,537) | |
| Contributions and Donations | 2,408,000 | |
| Total | | 2,390,197 |

Issuance of Debt is reported as other financing sources in the governmental funds, but the issuance increases long-term liabilities on the Statement of Net Position.
Qualified Zone Academy Bonds (6,000,000)

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

| | | |
|-----------------------------------|---------|---------|
| General Obligation Bonds - Serial | 255,000 | |
| Capital Leases | 24,900 | |
| Total | | 279,900 |

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

| | | |
|---|----------|----------|
| Accrued Interest | 744 | |
| Accretion on Capital Appreciation Bonds | (44,871) | |
| Total | | (44,127) |

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

| | | |
|------------------------------|----------|--------|
| Amortization of Bond Premium | 13,006 | |
| Vacation Benefits Payable | (29,241) | |
| Intergovernmental Payable | (20,000) | |
| Compensated Absences | 78,565 | |
| Total | | 42,330 |

The internal service fund used by management to charge the costs of insurance to individual funds is included in the Statement of Activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities. 331,407

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 802,071

Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the Statement of Activities. (630,603)

Change in Net Position of Governmental Activities \$3,699,876

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, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|-------------------------------|
| Revenues | | | | |
| Property Taxes | \$1,120,063 | \$2,485,000 | \$2,386,692 | (\$98,308) |
| Intergovernmental | 4,817,933 | 7,202,403 | 10,060,027 | 2,857,624 |
| Interest | 8,544 | 12,557 | 20,038 | 7,481 |
| Tuition and Fees | 367,333 | 1,348,566 | 774,687 | (573,879) |
| Extracurricular Activities | 28,212 | 50,301 | 69,049 | 18,748 |
| Rent | 27,740 | 25,086 | 35,048 | 9,962 |
| Gifts and Donations | 1,719 | 7,328 | 10,238 | 2,910 |
| Charges for Services | 580 | 0 | 0 | 0 |
| Miscellaneous | 13,876 | 13,559 | 18,603 | 5,044 |
| <i>Total Revenues</i> | <u>6,386,000</u> | <u>11,144,800</u> | <u>13,374,382</u> | <u>2,229,582</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,185,051 | 9,601,212 | 5,169,694 | 4,431,518 |
| Special | 1,063,530 | 650,878 | 1,266,207 | (615,329) |
| Vocational | 48,256 | 28,939 | 59,273 | (30,334) |
| Student Intervention Services | 142,464 | 86,036 | 173,148 | (87,112) |
| Support Services: | | | | |
| Pupil | 678,668 | 607,946 | 830,791 | (222,845) |
| Instructional Staff | 11,329 | 10,250 | 3,310 | 6,940 |
| Board of Education | 15,334 | 47,317 | 19,198 | 28,119 |
| Administration | 775,651 | 453,463 | 988,622 | (535,159) |
| Fiscal | 450,693 | 271,815 | 548,881 | (277,066) |
| Operation and Maintenance of Plant | 1,271,670 | 759,960 | 1,575,221 | (815,261) |
| Pupil Transportation | 869,880 | 524,441 | 1,063,175 | (538,734) |
| Extracurricular Activities | 145,040 | 83,938 | 187,489 | (103,551) |
| Capital Outlay | 1,629 | 0 | 5,000 | (5,000) |
| <i>Total Expenditures</i> | <u>9,659,195</u> | <u>13,126,195</u> | <u>11,890,009</u> | <u>1,236,186</u> |
| Excess of Revenues Over (Under) Expenditures | (3,273,195) | (1,981,395) | 1,484,373 | 3,465,768 |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 0 | 6,200 | 6,200 | 0 |
| Transfers In | 200,000 | 835,000 | 0 | (835,000) |
| Transfers Out | 0 | 0 | (14,670) | (14,670) |
| <i>Total Other Financing Sources (Uses)</i> | <u>200,000</u> | <u>841,200</u> | <u>(8,470)</u> | <u>(849,670)</u> |
| <i>Net Change in Fund Balance</i> | (3,073,195) | (1,140,195) | 1,475,903 | 2,616,098 |
| <i>Fund Balance Beginning of Year</i> | 3,020,391 | 3,020,391 | 3,020,391 | 0 |
| Prior Year Encumbrances Appropriated | 49,455 | 49,455 | 49,455 | 0 |
| <i>Fund Balance End of Year</i> | <u>(\$3,349)</u> | <u>\$1,929,651</u> | <u>\$4,545,749</u> | <u>\$2,616,098</u> |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2016

| | <u>Governmental Activity</u> <u>Internal Service Fund</u> |
|--|--|
| Current Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$125,287 |
| Cash and Cash Equivalents with Fiscal Agents | 1,145,287 |
| Accounts Receivable | <u>88,129</u> |
| <i>Total Assets</i> | <u>1,358,703</u> |
| Current Liabilities | |
| Claims Payable | 221,046 |
| Net Position | |
| Unrestricted | <u>1,137,657</u> |
| <i>Total Net Position</i> | <u><u>\$1,137,657</u></u> |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

| | Governmental Activity |
|---------------------------------------|--------------------------|
| | Internal Service Fund |
| Operating Revenues | |
| Charges for Services | \$2,432,664 |
| Miscellaneous | 88,129 |
| <i>Total Operating Revenues</i> | 2,520,793 |
| Operating Expenses | |
| Purchased Services | 585,476 |
| Claims | 1,613,738 |
| <i>Total Operating Expenses</i> | 2,199,214 |
| <i>Operating Income</i> | 321,579 |
| Non-Operating Revenues | |
| Interest | 9,828 |
| <i>Change in Net Position</i> | 331,407 |
| <i>Net Position Beginning of Year</i> | 806,250 |
| <i>Net Position End of Year</i> | \$1,137,657 |

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, 2016

| | Governmental Activity |
|--|--------------------------|
| | Internal Service Fund |
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Interfund Services Provided | \$2,432,664 |
| Other Operating Revenues | 325,372 |
| Cash Payments for Services | (585,476) |
| Cash Payments for Claims | (1,896,472) |
| | <u>276,088</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u>276,088</u> |
| Cash Flows from Investing Activities | |
| Interest | 9,828 |
| | <u>9,828</u> |
| <i>Net Cash Provided by Investing Activities</i> | <u>9,828</u> |
| <i>Net Increase in Cash and Cash Equivalents</i> | 285,916 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>984,658</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u>\$1,270,574</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income | \$321,579 |
| Changes in Assets and Liabilities: | |
| Increase in Accounts Receivable | (54,486) |
| Decrease in Claims Payable | 8,995 |
| | <u>8,995</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u>\$276,088</u> |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

| | Private Purpose Trust Fund | Agency |
|--|-------------------------------|----------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$425,995 | \$44,532 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 4,489 |
| Investments | 81,451 | 0 |
| <i>Total Assets</i> | 507,446 | 49,021 |
| Liabilities | | |
| Undistributed Monies | 0 | \$4,489 |
| Due to Students | 0 | 44,532 |
| <i>Total Liabilities</i> | 0 | \$49,021 |
| Net Position | | |
| Held in Trust for Scholarships | 507,446 | |
| <i>Total Net Position</i> | \$507,446 | |

See accompanying notes to the basic financial statements

Bellaire Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

| | Private Purpose Trust Fund |
|---------------------------------------|-------------------------------|
| Deductions | |
| Scholarships Awarded | \$1,000 |
| <i>Change in Net Position</i> | (1,000) |
| <i>Net Position Beginning of Year</i> | 508,446 |
| <i>Net Position End of Year</i> | \$507,446 |

See accompanying notes to the basic financial statements

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 District's eastern border is the Ohio River. The District is staffed by 63 non-certificated employees, 75 full-time teaching personnel and 9 administrative employees who provide services to 1,221 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, had been elevated to the state of "Fiscal Emergency." The School District did not provide an acceptable proposal to the Ohio Department of Education, and on December 31, 2009, the Auditor of State declared the School District to be in a state of "Fiscal Emergency." In accordance with State Statute, a five member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of the State Director of the Office of Budget and Management (or designee), the State Superintendent of Public Instruction (or designee), a resident/business owner within the School District appointed by the Belmont County Auditor, a local business person appointed by the Governor, and a parent with a child enrolled within the School District appointed by the State Superintendent of Public Instruction. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the School District Plan on May 5, 2010 which was submitted to the Ohio Department of Education for approval and was subsequently rejected. The Commission then adopted a revised School District Plan on September 29, 2010. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which was approved by the Ohio Department of Education on June 21, 2012, which included additional reductions in the amount of \$908,725. On October 14, 2013 a revised financial recovery plan was approved for fiscal year 2014 which included additional reductions in the amount of \$575,420. On October 6, 2014 a revised financial recovery plan was approved for fiscal year 2015. On March 31, 2016 a revised financial recovery plan was approved for fiscal year 2016, which included additional reductions in the amount \$706,547.

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

B. Fund Accounting

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

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

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

Qualified Zone Academy Fund - The Qualified Zone Academy Fund is used to account for the proceeds of qualified zone academy bonds that were issued for various projects throughout the School District.

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

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

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the Governmental Fund Financial Statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees, contributions and donation, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 10 for more information.

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

F. Cash and Cash Equivalents

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

During fiscal year 2016, investments were limited to non-negotiable certificates of deposit. Non-negotiable certificates of deposits are reported at cost.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$20,038 which includes \$12,042 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.

G. Restricted Assets

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. 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.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition 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.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

K. Interfund Balances

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

L. Compensated Absences

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

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

N. Bond Premiums and Discounts

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

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

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

O. Interfund Activity

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

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

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

P. Fund Balance

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

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

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

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. For fiscal year 2016, the School District has a committed fund balance in the amount of \$196,453 for termination benefits.

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

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

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

Q. Net Position

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

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

R. Operating Revenues and Expenses

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

S. 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.

T. 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.

U. Budgetary Data

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

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

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of

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GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School District does not participate in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

In prior years, the Classroom Facilities Maintenance Fund has been reported as a major fund. As of June 30, 2016, the Classroom Facilities Maintenance Fund will be presented as a non-major Other Governmental Fund. The prior year fund balance restatement is presented in the table below for comparability between years.

| | Major Fund Classroom Facilities Maintenance | Other Governmental Funds |
|-------------------------------------|---|--------------------------------|
| Fund Balance at June 30, 2015 | \$1,082,558 | \$1,309,677 |
| Restatement of Fund Balance | (1,082,558) | 1,082,558 |
| Restated Fund Balance June 30, 2015 | \$0 | \$2,392,235 |

Bellaire Local School District
Notes to the Basic Financial Statements
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NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance

| | |
|----------------------|---------------------------|
| | <u>General</u> |
| GAAP Basis | \$1,561,758 |
| Revenue Accruals | 11,482 |
| Expenditure Accruals | (92,066) |
| Encumbrances | <u>(5,271)</u> |
| Budget Basis | <u><u>\$1,475,903</u></u> |

NOTE 5 - 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.

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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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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, 2016, the School District's internal service fund had a balance of \$1,145,287 with Jefferson Health Plan Self Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 18). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the School District's bank balance was \$12,984,929. Of the bank balance, \$265,000 was covered by Federal depository insurance and the remaining balance of \$12,719,929 was covered by pledged collateral

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with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources-property taxes.

The amount available as an advance at June 30, 2016 was \$107,625 in the General Fund, \$18,834 in the Debt Service Fund, \$8,826 in the Permanent Improvement Capital Projects Fund, and \$1,967 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2015 was \$163,406 in the General Fund, \$28,529 in the Debt Service Fund, \$15,260 in the Permanent Improvement Capital Projects Fund, and \$3,315 in the Classroom Facilities Maintenance Special Revenue Fund.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

| | 2015 Second Half Collections | | 2016 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$108,626,040 | 89.02% | \$118,643,670 | 85.28% |
| Public Utility Personal | 13,392,500 | 10.98% | 20,477,040 | 14.72% |
| | <u>\$122,018,540</u> | <u>100.00%</u> | <u>\$139,120,710</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of assessed valuation | | \$33.05 | | \$33.05 |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016, consisted of property taxes, interfund, intergovernmental grants, and tuition and fees. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$526,861 may not be collected within one year. As part of the 2015 QZAB issuance, the School District has contributions from an outside source in the amount of \$2,408,000 that is scheduled to be contributed over a four year period. Of the total, \$1,806,000 is not scheduled to 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 | \$139,381 |
| Fiscal Year 2016 Foundation Adjustment | 20,309 |
| Medicaid Reimbursement | 8,635 |
| Title I Grant | 200,737 |
| IDEA Part B Grant | 165,968 |
| Title II-A Improving Teacher Quality Grant | 36,717 |
| Elementary Childhood Counseling Grant | 16,363 |
| Total Intergovernmental Receivables | <u>\$588,110</u> |

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

| | Balance 6/30/15 | Additions | Deletions | Balance 6/30/16 |
|--|---------------------|--------------------|-------------------|---------------------|
| Non-Depreciable Capital Assets: | | | | |
| Land | \$718,812 | \$0 | \$0 | \$718,812 |
| Construction in Progress | 0 | 191,085 | 0 | 191,085 |
| Total Non-Depreciable Capital Assets | 718,812 | 191,085 | 0 | 909,897 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 1,718,408 | 0 | (20,271) | 1,698,137 |
| Buildings and Improvements | 28,771,663 | 55,178 | 0 | 28,826,841 |
| Furniture and Equipment | 2,034,014 | 107,156 | (433,032) | 1,708,138 |
| Vehicles | 1,366,334 | 404,808 | (293,982) | 1,477,160 |
| Total Depreciable Capital Assets | 33,890,419 | 567,142 | (747,285) | 33,710,276 |
| Accumulated Depreciation: | | | | |
| Land Improvements | (1,073,273) | (75,858) | 1,275 | (1,147,856) |
| Buildings and Improvements | (14,266,841) | (872,365) | 0 | (15,139,206) |
| Furniture and Equipment | (1,608,688) | (114,226) | 413,195 | (1,309,719) |
| Vehicles | (788,156) | (45,843) | 273,078 | (560,921) |
| Total Accumulated Depreciation | (17,736,958) | (1,108,292) | 687,548 | (18,157,702) |
| Total Depreciable Capital Assets, Net | 16,153,461 | (541,150) | (59,737) | 15,552,574 |
| Governmental Capital Assets, Net | \$16,872,273 | (\$350,065) | (\$59,737) | \$16,462,471 |

*Depreciation expense was charged to governmental activities as follows:

| | |
|------------------------------------|--------------------|
| Instruction: | |
| Regular | \$803,359 |
| Special | 21,304 |
| Vocational | 748 |
| Support Services: | |
| Instructional Staff | 58,381 |
| Board of Education | 4,878 |
| Administration | 2,883 |
| Fiscal | 11,455 |
| Operation and Maintenance of Plant | 31,115 |
| Pupil Transportation | 107,300 |
| Central | 1,008 |
| Food Service Operations | 27,729 |
| Non-Instructional Services | 1,251 |
| Extracurricular | 36,881 |
| Total Depreciation Expense | \$1,108,292 |

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 18). The School District contracted with the Ohio School Plan for liability, property, and fleet insurance. The type and amount of coverage provided by Ohio School Plan follows:

| | |
|---|--------------|
| Building and Contents-replacement cost (\$1,000 deductible) | \$60,944,418 |
| Automotive Liability (\$1,000 deductible) | 3,000,000 |
| Uninsured Motorist (\$1,000 deductible) | 1,000,000 |
| <i>General Liability:</i> | |
| Each Occurance | 3,000,000 |
| Aggregated Limit | 5,000,000 |
| Personal and Advertising Injury Limit - Each Occurance: | 3,000,000 |
| <i>Sexual Misconduct Liability:</i> | |
| Each Occurance | 3,000,000 |
| <i>School Leaders Errors and Omissions Liability:</i> | |
| Each Occurance | 3,000,000 |
| Aggregated Limit | 5,000,000 |
| <i>Employee Benefits Liability:</i> | |
| Each Occurance | 3,000,000 |
| Aggregated Limit | 3,000,000 |
| <i>Employer's Liability:</i> | |
| Each Occurance | 3,000,000 |
| Aggregated Limit | 3,000,000 |
| Disease - Each Employee | 3,000,000 |

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

B. Workers' Compensation

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

Bellaire Local School District
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C. Employee Benefits

Medical/surgical and prescription drug are offered to employees through a self-insurance internal service fund. The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. The monthly premium for this coverage is \$730.79 for a single plan and \$1,774.11 for a family plan. The Board pays 90 percent and 85 percent of the premium for medical/surgical and prescription drug coverage for classified staff and certified staff respectively. The premium is paid from the fund that pays the salary of the covered employee.

Dental insurance is offered to employees through a self-insurance program. The School District contracts with a third party administrator (Medical Mutual of Ohio) to handle claims administration and stop-loss coverage. The Board pays 100 percent of the monthly premium of \$62.18 per covered employee.

The claims liability of \$221,046 reported in the internal service fund at June 30, 2016 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

| <u>Program</u> | <u>Beginning Balance</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|--------------------------------------|------------------------------|--------------------------------|----------------------------|---------------------------|
| Self Insurance - Health | | | | |
| 2015 | \$242,848 | \$1,654,936 | \$1,685,733 | \$212,051 |
| 2016 | 212,051 | 1,701,867 (1) | 1,692,872 (2) | 221,046 |
| (1) Claims Expense | | \$1,613,738 | | |
| Net Increase in Stop Loss Receivable | | 88,129 | | |
| Current Year Claims | | <u>\$1,701,867</u> | | |
| (2) Cash Payments for Claims | | | \$1,896,472 | |
| - Stop Loss Received for 2016 Claims | | | <u>(203,600)</u> | |
| Claims Payments | | | <u>\$1,692,872</u> | |

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State Statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State Statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017* | Eligible to Retire on or after August 1, 2017 |
|---------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$249,886 for fiscal year 2016. Of this amount \$20,353 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to

Bellaire Local School District
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a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$552,185 for fiscal year 2016. Of this amount \$72,410 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|----------------------------|----------------------------|--------------|
| Proportion of the Net Pension Liability | | | |
| Prior Measurement Date | 0.06358900% | 0.03846581% | |
| Proportion of the Net Pension Liability | | | |
| Current Measurement Date | <u>0.05932620%</u> | <u>0.03838273%</u> | |
| Change in Proportionate Share | <u><u>-0.00426280%</u></u> | <u><u>-0.00008308%</u></u> | |
| Proportionate Share of the Net | | | |
| Pension Liability | \$3,385,211 | \$10,607,863 | \$13,993,074 |
| Pension Expense | \$154,495 | \$476,108 | \$630,603 |

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| | SERS | STRS | Total |
|--|-----------|-------------|-------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$54,508 | \$483,584 | \$538,092 |
| School District contributions subsequent to the measurement date | 249,886 | 552,185 | 802,071 |
| Total Deferred Outflows of Resources | \$304,394 | \$1,035,769 | \$1,340,163 |
| Deferred Inflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$112,163 | \$762,906 | \$875,069 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | 188,047 | 25,058 | 213,105 |
| Total Deferred Inflows of Resources | \$300,210 | \$787,964 | \$1,088,174 |

\$802,071 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|-----------------------------|-------------|-------------|-------------|
| Fiscal Year Ending June 30: | | | |
| 2017 | (\$100,812) | (\$178,426) | (\$279,238) |
| 2018 | (100,812) | (178,426) | (279,238) |
| 2019 | (101,070) | (178,426) | (279,496) |
| 2020 | 56,992 | 230,898 | 287,890 |
| Total | (\$245,702) | (\$304,380) | (\$550,082) |

Actuarial Assumption - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4 percent to 22 percent |
| COLA or ad hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| Total | <u>100.00 %</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State Statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$4,694,070 | \$3,385,211 | \$2,283,042 |

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|---|
| Inflation | 2.75 percent |
| Projected Salary Increases | 12.25 percent at age 20 to 2.75 percent at age 70 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living-Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Bellaire Local School District
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| Asset Class | Target Allocation | 10 Year Expected Nominal Rate of Return* |
|----------------------|----------------------|--|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | |

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$14,735,123 | \$10,607,863 | \$7,117,651 |

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, 2016, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$26,494.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$14,728, and \$2,548, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from

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employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0, and \$40,721, respectively. The full amount has been contributed for 2016, 2015 and 2014.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 to 275 days for all employees. Upon retirement, payment is made for thirty-five percent of accrued, but unused sick leave credit to a maximum of 91.00 days for classified employees and 96.25 days for certified employees. All certified employees hired after July 1, 2012, and classified employees hired after July, 1, 2013, will be paid at twenty-five percent of accrued, but unused sick leave credit to a maximum of 68.75 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 \$15.77 per month.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$124,500, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$29,051. Principal payments in fiscal year 2016 totaled \$24,900, in the governmental funds.

Future minimum lease payments through 2018 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> |
|--------------------|------------------------|
| 2017 | \$24,900 |
| 2018 | <u>6,225</u> |
| Totals | <u><u>\$31,125</u></u> |

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

| | Principal Outstanding 6/30/15 | Additions | Deductions | Principal Outstanding 6/30/16 | Amounts Due In One Year |
|--|-------------------------------------|--------------------|------------------|-------------------------------------|-------------------------------|
| <u>General Obligation Bonds:</u> | | | | | |
| 2015 Qualified Zone Academy Bonds, \$6,000,000 @ 0% | \$0 | \$6,000,000 | \$0 | \$6,000,000 | \$0 |
| 2009 School Improvement Refunding Bonds | | | | | |
| Serial Bonds \$1,395,000 @ 3.5%-4.0% | 1,395,000 | \$0 | 255,000 | 1,140,000 | 0 |
| CAB Bonds \$249,996 @ 3.9%-4.0% | 249,996 | 0 | 0 | 249,996 | 130,912 |
| CAB Accretion \$290,004 @ 9.697% | 200,733 | 44,871 | 0 | 245,604 | 0 |
| Premium \$169,073 | 91,037 | 0 | 13,006 | 78,031 | 0 |
| Total 2009 Refunding Bonds | 1,936,766 | 44,871 | 268,006 | 1,713,631 | 130,912 |
| Total General Obligation Bonds | 1,936,766 | 6,044,871 | 268,006 | 7,713,631 | 130,912 |
| Net Pension Liability * | | | | | |
| STRS | 9,356,216 | 1,251,647 | 0 | 10,607,863 | |
| SERS | 3,218,203 | 167,008 | 0 | 3,385,211 | |
| Total Net Pension Liability | 12,574,419 | 1,418,655 | 0 | 13,993,074 | |
| Capital Leases | 56,025 | 0 | 24,900 | 31,125 | 24,900 |
| Long-Term Intergovernmental Payable | 0 | 25,000 | 5,000 | 20,000 | 5,000 |
| Compensated Absences | 775,128 | 110,433 | 188,998 | 696,563 | 200,010 |
| Total General Long-Term Obligations | \$15,342,338 | \$7,598,959 | \$486,904 | \$22,454,393 | \$360,822 |

* For additional information related to net pension liability, see Note 10

2015 Qualified Zone Academy Bonds – On December 1, 2015, the School District issued \$6,000,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), to be used to fund building equipment, the Electro Retro Fit energy efficiency project and the SCS STEM Education Academy. The QZAB matures in 2030, with the entire principal balance coming due at maturity. The QZAB does not bear interest. As part of the issuance, the School District is required to place \$400,000 of base lease payments, annually, beginning on December 1, 2016, into a debt service sinking escrow account held by a fiscal agent. The base lease payments will be invested, and the balance in the account will be used for the final bond repayment in 2030. The value of the fiscal agent account will be recorded as restricted investments with fiscal agents in the debt service fund.

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

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The 2009 bond issue consists of serial, term, and capital appreciation bonds, \$1,395,000, \$215,000, and \$249,996, respectively. The term bonds for this issue were fully paid in fiscal year 2015.

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 2016 was \$44,871, leaving a total bond liability of \$495,600.

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, 2016 are as follows:

| Fiscal Year | Serial Bonds | | Capital Appreciation Bonds | | Total | |
|-------------|--------------------|------------------|----------------------------|------------------|--------------------|------------------------|
| | Principal | Interest | Principal | Accretion | Principal | Accretion/ Interest |
| 2017 | \$0 | \$45,600 | \$130,912 | \$139,088 | \$130,912 | \$184,688 |
| 2018 | 0 | 45,600 | 119,084 | 150,916 | 119,084 | 196,516 |
| 2019 | 270,000 | 40,200 | 0 | 0 | 270,000 | 40,200 |
| 2020 | 280,000 | 29,200 | 0 | 0 | 280,000 | 29,200 |
| 2021 | 290,000 | 17,800 | 0 | 0 | 290,000 | 17,800 |
| 2022 | 300,000 | 6,000 | 0 | 0 | 300,000 | 6,000 |
| Totals | <u>\$1,140,000</u> | <u>\$184,400</u> | <u>\$249,996</u> | <u>\$290,004</u> | <u>\$1,389,996</u> | <u>\$474,404</u> |

Long-Term Intergovernmental Payable – On December 14, 2015 the School District signed an addendum to Service Agreement with the East Central Ohio Educational Service Center Governing Board (ECOESC). The Board of Education and the ECOESC wish to include an additional service to the services that the ECOESC will provide to the Board of Education pursuant to Section 3313.845 of Ohio Revised Code. In consideration of the services contained in the addendum the ECOESC will purchase property to be used for the delivery of educational services to students served by the Belmont County school district clients of the ECOESC. In consideration of the above, the Board agrees to pay ECOESC, the sum of \$5,000 per year for a period of five years, for a total payment of \$25,000. The first installment was paid on May 13, 2016, and subsequent payments shall be made no later than January 1 each year thereafter.

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

The School District's overall legal debt margin was \$6,277,617, with an unvoted debt margin of \$139,121 at June 30, 2016.

The School District pays obligations related to employee compensation from the fund benefitting from their services.

Bellaire Local School District
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NOTE 15 – COMMITMENTS

A. Construction Commitments

During fiscal year 2016, the School District entered into an agreement with The Efficiency Network for completion of a lighting project. As of June 30, 2016 the School District had the following contractual commitment:

| Contractor | Purchase Commitment | Amount Paid as of 6/30/16 | Amount Remaining on Contract |
|------------------------|------------------------|------------------------------|---------------------------------|
| The Efficiency Network | \$754,572 | \$191,085 | \$563,487 |

B. Encumbrances

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

| | |
|------------------------------------|-----------|
| General Fund | \$5,271 |
| Other Non-major Governmental Funds | 267,169 |
| Total | \$272,440 |

NOTE 16 - INTERNAL BALANCES

Interfund balances at June 30, 2016 consist of the following individual interfund receivables and payables:

| | |
|-----------------------------------|----------------------|
| | Interfund Receivable |
| Interfund Payable | General Fund |
| Other Nonmajor Governmental Funds | \$129,279 |

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

Interfund transfers for the year ended June 30, 2016 consisted of the following:

| | |
|---------------------------------------|---------------------------------|
| | Other Non-major Governmental |
| <u>Transfers from</u> General Fund | \$14,670 |

Transfers from the General Fund to the Qualified Zone Academy Bonds Capital Projects Fund were utilized to pay issuance costs related to the bonds.

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Notes to the Basic Financial Statements
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NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards. The Board exercises total control over the district including budgeting, appropriating, contracting, and designates management. During fiscal year 2016, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council) - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant’s control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2016, the total amount paid to OME-RESA from the School District was \$14,256 for technology services and \$32,206 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools (CORAS) – The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education 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 Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant’s control is limited to its representation on the Board. The School District’s membership fee was \$325 for fiscal year 2016.

NOTE 18 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP) - The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program, an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District’s enrollment fee of \$500 for policy year 2016 was paid to CompManagement, Inc.

Ohio School Plan (OSP) – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to

Bellaire Local School District
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provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Hylant Administrative Services and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

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

NOTE 19 - RELATED ORGANIZATION

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

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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

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

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District's that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirement or the elimination of funding of the set-aside altogether. The Bellaire Local School District has been declared in fiscal emergency but has elected to fund the set-aside requirement for the capital improvement set-aside for fiscal year 2016.

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

| | Capital Improvements |
|--|-------------------------|
| Set-aside Restricted Balance as of June 30, 2015 | \$0 |
| Current Year Set-aside Requirement | 209,983 |
| Current Year Offsets | (353,436) |
| Totals | (\$143,453) |
| Balance Carried Forward to Fiscal Year 2017 | \$0 |
| Set-aside Restricted Balance as of June 30, 2016 | \$0 |

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

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

B. State Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not fully determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

C. Litigation

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

D. Oil/Gas Leases

XTO Energy, Inc. – The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with XTO Energy Inc. The lease is for 14.20 acres of property owned by the Bellaire Board of Education and is effective May 20, 2016, for a two year period (See Subsequent Event Note 23 for further details regarding a lease signing bonus). The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

Gulfport Energy Corporation – The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with Gulfport Energy Corporation. The lease is for 12.00 acres of property owned by the Bellaire Board of Education and is effective June 24, 2016, for a five year period (See Subsequent Event Note 23 for further details regarding a lease signing bonus). The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 17 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

Total carrying value of leased land is \$665,708.

NOTE 22 - GOING CONCERN

The School District was placed in Fiscal Caution on April 24, 2009 by the Ohio Department of Education. The School District did not submit a proposal to the Ohio Department of Education and with the concurrence of the Auditor of State, was declared in fiscal watch on September 10, 2009. On December 31, 2009, the School District was placed in Fiscal Emergency due to the failure to submit an acceptable financial recovery plan. The School District and Commission subsequently authorized a revised financial recovery plan on September 29, 2010. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which included additional reductions in the amount of \$908,725. The revised plan was approved on June 21, 2012. On October 14, 2013 a revised financial recovery plan was approved for fiscal year 2014 which included additional reductions in the amount of \$575,420. On October 6, 2014 a revised financial recovery plan was approved for fiscal year 2015. On March 31, 2016 a revised financial recovery plan was approved for fiscal year 2016, which included additional reductions in the amount of \$706,547.

Based on the most recent Commission-adopted five year forecast, the School District is projecting a positive cash and unreserved fund balance beginning in fiscal year 2016 and remaining positive for the remaining five years.

Bellaire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 23 - SUBSEQUENT EVENTS

A. Oil/Gas Leases Signing Bonuses

XTO Energy Inc. - On August 31, 2016, the School District received \$45,000 which represented a signing bonus for the "Paid Up Oil and Gas Lease" with XTO Energy Inc., which was effective May 20, 2016 for the 14.20 acres that is owned by the School District. See Contingency Note 21 for further information.

Gulfport Energy Corporation - On September 30, 2016, the School District received \$42,000 which was a signing bonus for the "Paid Up Oil and Gas Lease" with Gulfport Energy Corporation, which was effective June 24, 2016 for the 12.00 acres that is owned by the School District. See Contingency Note 21 for further information.

B. Emergency Tax Levy

On June 24, 2016, the Board approved a resolution to proceed with placing a seven-year 3 Mills Emergency Tax Levy on the ballot of the November 8, 2016 general election. The levy was intended to be used for the general operations of the School District and would have generated approximately \$417,000 per year. The levy was defeated by the voters of the Bellaire Local School District.

C. Labor Agreement

On July 1, 2016 the Board of Education approved a contract with the classified staff, represented by the Ohio Association of Public School Employees (OAPSE). The contract is effective from July 1, 2016 through June 30, 2019.

On July 1, 2016 the Board of Education approved a contract with the certified staff, represented by the Bellaire Local School District Teachers Association. The contract is effective from July 1, 2016 through June 30, 2018.

D. Physical Education Facility

On September 26, 2016 the School District awarded a contract to Colaianni Construction Inc. for the construction of the Bellaire Physical Education Facility. The construction of the facility is a part of the Qualified Zone Academy Bonds Project. The amount of the contract is \$1,729,300.

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Bellaire Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Three Fiscal Years (1)**

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability | 0.59326200% | 0.06358900% | 0.06358900% |
| School District's Proportionate Share of the Net Pension Liability | \$3,385,211 | \$3,218,203 | \$3,781,433 |
| School District's Covered-Employee Payroll | \$1,796,059 | \$1,845,296 | \$1,935,388 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 188.48% | 174.40% | 195.38% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.16% | 71.70% | 65.52% |

(1) Information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Bellaire Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Three Fiscal Years (1)**

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|-------------|--------------|
| School District's Proportion of the Net Pension Liability | 0.03838273% | 0.03846581% | 0.03846581% |
| School District's Proportionate Share of the Net Pension Liability | \$10,607,863 | \$9,356,216 | \$11,145,062 |
| School District's Covered-Employee Payroll | \$4,006,729 | \$3,896,254 | \$4,178,182 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 264.75% | 240.13% | 266.74% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.10% | 74.70% | 69.30% |

(1) Information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Bellaire Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$249,886 | \$236,718 | \$255,758 | \$267,858 | \$293,898 | \$269,732 | \$308,356 | \$218,533 | \$203,140 | \$214,554 |
| Contributions in Relation to the Contractually Required Contribution | <u>(249,886)</u> | <u>(236,718)</u> | <u>(255,758)</u> | <u>(267,858)</u> | <u>(293,898)</u> | <u>(269,732)</u> | <u>(308,356)</u> | <u>(218,533)</u> | <u>(203,140)</u> | <u>(214,554)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered-Employee Payroll | \$1,784,900 | \$1,796,039 | \$1,845,296 | \$1,935,388 | \$2,185,117 | \$2,145,836 | \$2,277,372 | \$2,220,860 | \$2,068,637 | \$2,008,935 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% | 9.82% | 10.68% |

Bellaire Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$552,185 | \$560,942 | \$506,513 | \$543,164 | \$589,207 | \$742,303 | \$874,126 | \$882,770 | \$857,668 | \$822,793 |
| Contributions in Relation to the Contractually Required Contribution | <u>(552,185)</u> | <u>(560,942)</u> | <u>(506,513)</u> | <u>(543,164)</u> | <u>(589,207)</u> | <u>(742,303)</u> | <u>(874,126)</u> | <u>(882,770)</u> | <u>(857,668)</u> | <u>(822,793)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered-Employee Payroll | \$3,944,179 | \$4,006,729 | \$3,896,254 | \$4,178,182 | \$4,532,364 | \$5,710,020 | \$6,724,049 | \$6,790,541 | \$6,597,445 | \$6,329,175 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

| FEDERAL GRANTOR/ Pass-Through Grantor Program/ Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Total Federal Expenditures |
|--|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance: | | | |
| National School Lunch Program - Food Donation | 10.555 | N/A | \$38,715 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | 043570-05PU-16 | 165,760 |
| National School Lunch Program | 10.555 | 043570-LLP4-16 | 295,667 |
| Cash Assistance Subtotal | | | <u>461,427</u> |
| Total U.S. Department of Agriculture/Child Nutrition Cluster | | | 500,142 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 043570-C1S1-15 043570-C1S1-16 | 44,969 <u>399,270</u> |
| Total Title I Grants to Local Educational Agencies | | | 444,239 |
| Special Education Cluster (IDEA): | | | |
| Special Education, Grants to States (IDEA, Part B) | 84.027 | 043570-6BSF-15 043570-6BSF-16 | 36,659 <u>251,590</u> |
| Total Special Cluster (IDEA) | | | 288,249 |
| Improving Teacher Quality State Grants | | | |
| | 84.367 | 043570-TRS1-15 043570-TRS1-16 | 19,162 <u>112,949</u> |
| Total Improving Teacher Quality State Grants | | | 132,111 |
| Fund for the Improvement of Education - Direct Program | | | |
| Elementary and Secondary School Counseling Programs Discretionary/Competitive Grants | 84.215.R | S215E130047 S215E130047 | 7,147 <u>279,569</u> |
| Total Fund for the Improvement of Education - Direct Program | | | 286,716 |
| Total U.S. Department of Education | | | <u>1,151,315</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Passed Through Ohio Department of Mental Health and Addiction Services</i> | | | |
| Temporary Assistance for Needy Families | 93.558 | 99-2927-TANF-P-15-1506 | <u>1,070</u> |
| Total U.S. Department of Health and Human Services - Temporary Assistance for Needy Families | | | <u>1,070</u> |
| Total Expenditures of Federal Awards | | | <u>\$1,652,527</u> |

The accompanying notes are an integral part of this schedule.

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellaire Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 21, 2017, wherein we noted the School District has been declared to be in Fiscal Emergency, as defined by the Ohio Revised Code and has suffered recurring losses from operations.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Bellaire Local School District's, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2017

**BELLAIRE LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control 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 | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): <ul style="list-style-type: none"> • Child Nutrition Cluster - CFDA #10.553 and #10.555 • Special Education Cluster (IDEA) - CFDA #84.027 | |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | No |

**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**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR PART 200.511(b)
JUNE 30, 2016**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|--|-------------------------------|
| 2015-001 | 2 CFR Part 225, Appendix B, Section 8(h)(3), regarding not having single funded certificates for employees paid from federal grants. | Corrective Action Taken and Finding is Fully Corrected | N/A. |
| 2015-002 | 34 CFR 80.21(c), regarding cash management. Drawdowns were not spent within the period of time for which the cash was requested. | Corrective Action Taken and Finding is Fully Corrected | N/A. |



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
MARCH 7, 2017**