



Dave Yost • Auditor of State



**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY  
JUNE 30, 2017**

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BELMONT COUNTY  
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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Bellaire Local School District  
Belmont County  
340 34<sup>th</sup> 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, 2017, 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, 2017, 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.

### ***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 and Other 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 relate 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 January 31, 2018, 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, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 31, 2018

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**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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The discussion and analysis of the 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, 2017. 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 2017 are as follows:

- Net position increased \$594,146.
- General revenues accounted for \$13,841,062 in revenue or approximately 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$4,942,319 or approximately 26 percent of total revenues of \$18,783,381.
- Total assets of governmental activities increased by \$3,003,363. Current assets increased by \$1,895,625 primarily due to increases in cash and cash equivalents and property taxes receivable. Capital assets increased \$1,107,738 due primarily to construction costs for the new Physical Education Facility.
- The School District had \$18,189,235 in expenses related to governmental activities; only \$4,942,319 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues of \$13,841,062 were adequate to provide for these programs.
- Total Governmental Funds had \$19,077,473 in revenues and \$18,042,729 in expenditures. Overall, including other financing sources and uses, total governmental fund balances increased \$1,035,744.

### **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, 2017*  
*Unaudited*

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***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 2017?" 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, 2017*  
*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 2017 compared to fiscal year 2016.

**Table 1**  
**Net Position**

	<b>Government Activities</b>		Change
	2017	2016	
<b>Assets</b>			
Current and Other Assets	\$23,696,182	\$21,800,557	\$1,895,625
Capital Assets	17,570,209	16,462,471	1,107,738
<b>Total Assets</b>	<b>41,266,391</b>	<b>38,263,028</b>	<b>3,003,363</b>
<b>Deferred Outflows of Resources</b>			
Pension	2,974,275	1,340,163	1,634,112
<b>Liabilities</b>			
Current and Other Liabilities	2,165,792	1,625,268	540,524
Long-Term Liabilities:			
Due Within One Year	463,877	360,822	103,055
Due in More Than One Year:			
Net Pension Liability	16,727,448	13,993,074	2,734,374
Other Amounts	7,722,536	8,100,497	(377,961)
<b>Total Liabilities</b>	<b>27,079,653</b>	<b>24,079,661</b>	<b>2,999,992</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,890,886	3,210,433	1,680,453
Pension	451,058	1,088,174	(637,116)
<b>Total Deferred Inflows of Resources</b>	<b>5,341,944</b>	<b>4,298,607</b>	<b>1,043,337</b>
<b>Net Position</b>			
Net Investment in Capital Assets	12,192,018	12,610,230	(418,212)
Restricted	8,108,818	7,864,460	244,358
Unrestricted (Deficit)	(8,481,767)	(9,249,767)	768,000
<b>Total Net Position</b>	<b>\$11,819,069</b>	<b>\$11,224,923</b>	<b>\$594,146</b>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 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*.

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
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GASB 68 takes an earnings approach to pension accounting; however, the nature of 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 \$3,003,363. Currents assets increased by \$1,895,625 primarily due to increases in cash and cash equivalents and property taxes receivable. The increase in property taxes receivable is due to public utility personal property taxes for a gas and oil substation and pipeline. Capital assets increased \$1,107,738 due primarily to the construction cost of the new Physical Education Facility.

The School District's total liabilities increased \$2,999,992. Long-term liabilities increased \$2,459,468, primarily due to an increase in net pension liability. Current and other liabilities increased slightly as a result of contracts and retainage payable for costs associated with the construction of the Physical Education Facility, QZAB project, and increases for accrued wages and benefits.

**Bellaire Local School District**  
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*Unaudited*

Table 2 shows the changes in net position for fiscal year 2017 compared to fiscal year 2016.

<b>Table 2</b>			
<b>Changes in Net Position</b>			
<b>Government Activities</b>			
	2017	2016	Change
<b>Revenues</b>			
<i>Program Revenue</i>			
Charges for Services and Sales	\$1,479,590	\$1,321,975	\$157,615
Operating Grants and Contributions	3,462,729	6,307,455	(2,844,726)
<b>Total Program Revenue</b>	<b>4,942,319</b>	<b>7,629,430</b>	<b>(2,687,111)</b>
<i>General Revenue</i>			
Property Taxes	4,518,485	2,967,047	1,551,438
Grants and Entitlements	9,058,991	8,927,824	131,167
Gifts and Donations	14,270	93,062	(78,792)
Investments Earnings	61,036	36,427	24,609
Oil and Gas Lease Bonus	87,000	0	87,000
Gain on the Sale of Capital Assets	1,000	0	1,000
Miscellaneous	100,280	29,642	70,638
<b>Total General Revenue</b>	<b>13,841,062</b>	<b>12,054,002</b>	<b>1,787,060</b>
<b>Total Revenues</b>	<b>18,783,381</b>	<b>19,683,432</b>	<b>(900,051)</b>
<b>Program Expenses</b>			
Instruction:			
Regular	7,297,185	6,781,995	515,190
Special	2,479,099	1,730,207	748,892
Vocational	64,101	60,421	3,680
Student Intervention Services	258,925	247,607	11,318
Support Services:			
Pupil	1,477,495	1,227,338	250,157
Intergovernmental	0	185,120	(185,120)
Instructional Staff	459,838	251,240	208,598
Board of Education	24,275	24,278	(3)
Administration	1,303,151	939,986	363,165
Fiscal	452,646	575,482	(122,836)
Operation and Maintenance of Plant	1,842,657	1,755,330	87,327
Pupil Transportation	1,190,889	918,568	272,321
Central	68,984	1,008	67,976
Operation of Non-Instructional Services	149,818	147,012	2,806
Food Service Operations	613,042	557,909	55,133
Extracurricular Activities	440,622	364,201	76,421
Interest and Fiscal Charges	66,508	215,854	(149,346)
<b>Total Expenses</b>	<b>18,189,235</b>	<b>15,983,556</b>	<b>2,205,679</b>
Change in Net Position	594,146	3,699,876	(3,105,730)
Net Position Beginning of Year	11,224,923	7,525,047	3,699,876
Net Position End of Year	<b>\$11,819,069</b>	<b>\$11,224,923</b>	<b>\$594,146</b>

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

In fiscal year 2017, 24 percent of the School District's revenues were from property taxes, and 48 percent were from unrestricted grants and entitlements. Program revenue charges for services and operating grants and contributions decreased \$2,687,111 from the prior fiscal year. This decrease is due primarily to the large private contribution associated with the Qualified Zone Academy Bond issue project received in fiscal year 2016.

Instruction comprises approximately 56 percent of total governmental program expenses. Of the instructional expenses approximately 72 percent is for regular instruction, approximately 25 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 \$2,205,679, primarily due to an operating loss in the School District's self-insurance fund as opposed to operating income in the prior year, pension expense as it relates to GASB 68, and changes in capital asset activity. In addition, the School District realized an increase of \$748,892 in special instruction expense which was related to the increase in Title I funding.

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 2017 compared to fiscal year 2016. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3**  
**Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2017	2016	2017	2016
Instruction:				
Regular	\$7,297,185	\$6,781,995	\$6,367,606	\$2,926,334
Special	2,479,099	1,730,207	249,498	(87,001)
Vocational	64,101	60,421	50,264	48,442
Student Intervention Services	258,925	247,607	155,863	161,724
Support Services:				
Pupil	1,477,495	1,227,338	1,127,352	860,444
Intergovernmental	0	185,120	0	(19,715)
Instructional Staff	459,838	251,240	334,299	182,669
Board of Education	24,275	24,278	24,275	24,278
Administration	1,303,151	939,986	1,270,173	905,563
Fiscal	452,646	575,482	392,387	512,121
Operation and Maintenance of Plant	1,842,657	1,755,330	1,728,272	1,563,552
Pupil Transportation	1,190,889	918,568	1,190,889	918,568
Central	68,984	1,008	68,984	1,008
Operation of Non-Instructional Services	149,818	147,012	17,748	34,592
Food Service Operations	613,042	557,909	72,829	(23,066)
Extracurricular Activities	440,622	364,201	129,969	128,759
Interest and Fiscal Charges	66,508	215,854	66,508	215,854
Total Expenses	<u>\$18,189,235</u>	<u>\$15,983,556</u>	<u>\$13,246,916</u>	<u>\$8,354,126</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 73 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, 2017*  
*Unaudited*

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**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 \$15,133,163 and expenditures in the amount of \$12,114,208. Including other financing sources and uses, the balance of the General Fund increased \$2,182,955. The Qualified Zone Academy Capital Projects Fund had revenues in the amount of \$613,170 and expenditures in the amount of \$3,030,488 which resulted in a fund balance decrease of \$2,417,318. The Debt Service Fund had revenues in the amount of \$529,303 and expenditures in the amount of \$326,235. Including other financing sources, the balance of the Debt Service Fund increased \$603,068.

**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 2017 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 estimated property taxes, intergovernmental revenues, and tuition and fees; final appropriations reflected notable increases in regular instruction. The actual results of operations were different than the budgeted amounts as total revenue realized was only slightly less than estimated, whereas overall spending was less than budgeted.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2017 the School District had \$17,570,209 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

**Table 4**  
**Capital Assets Net of Depreciation**  
**Government Activities**

	2017	2016
Land	\$718,812	\$718,812
Construction in Progress	1,560,223	191,085
Land Improvements	477,340	550,281
Buildings and Improvements	13,591,427	13,687,635
Furniture and Equipment	359,182	398,419
Vehicles	863,225	916,239
<b>Totals</b>	<b>\$17,570,209</b>	<b>\$16,462,471</b>

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

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

**Debt**

At June 30, 2017 the School District had \$7,464,539 in general obligation bonds and \$6,225 in capital leases outstanding.

Table 5 summarizes debt outstanding:

	2017	2016
2009 School Improvement Refunding Bonds		
Serial Bonds	\$1,140,000	\$1,140,000
Capital Appreciation Bonds	119,084	249,996
Capital Appreciation Bonds Accretion	140,430	245,604
Premium	65,025	78,031
2015 Qualified Zone Academy Bonds	6,000,000	6,000,000
Total General Obligation Bonds	7,464,539	7,713,631
Capital Leases	6,225	31,125
Total	\$ 7,470,764	\$ 7,744,756

See Note 15 for more detailed information on the School District's debt and other long-term obligations, including compensated absences, long-term intergovernmental payable, and net pension liability.

**Economic Factors**

As the preceding information indicates, the School District relies heavily on State funding as well as property taxes. Because of changes to the state foundation formula, the School District has moved from 73 percent in state aid during fiscal year 2014 to 68 percent state aide for fiscal year 2018 which has a direct impact on state aide. During fiscal year 2010, the School District was declared in Fiscal Emergency. The School District has implemented spending reduction plans as part of the requirements under the fiscal emergency legislation. The School District was released from Fiscal Emergency in April 2017. The School District passed the most recent levy attempt on May 2, 2017, a 7 year, 2.5 mill emergency levy. The Board of Education will be reinstating both Art Education and Music Education for K-8 during fiscal year 2018.

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.

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.

**Bellaire Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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Due to the School District's focus on alignment and state assessment data and student improvement of state test scores the School District will add a ½ time instructional coach for professional development during fiscal year 2018. Due to the loss of a juvenile court program in fiscal year 2017, the Board of Education will restore the School Resource Officer program District wide beginning in fiscal year 2018.

**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 34<sup>th</sup> Street, Bellaire, Ohio 43906.

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**Bellaire Local School District**  
*Statement of Net Position*  
June 30, 2017

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,729,509
Intergovernmental Receivable	781,346
Investments	10,279
Prepaid Items	1,004,524
Materials and Supplies Inventory	95,280
Property Taxes Receivable	5,542,894
Accounts Receivable	1,806,000
Cash and Cash Equivalents with Fiscal Agents	320,147
Investments with Fiscal and Escrow Agents	406,203
Non-Depreciable Capital Assets	2,279,035
Depreciable Capital Assets, Net	15,291,174
<i>Total Assets</i>	41,266,391
<b>Deferred Outflows of Resources</b>	
Pension	2,974,275
<b>Liabilities</b>	
Accounts Payable	71,732
Contracts Payable	292,674
Accrued Wages and Benefits Payable	891,350
Intergovernmental Payable	329,653
Matured Severance Payable	3,967
Vacation Benefits Payable	55,233
Accrued Interest Payable	3,325
Claims Payable	371,862
Retainage Payable	145,996
Long-Term Liabilities:	
Due Within One Year	463,877
Due In More Than One Year	
Net Pension Liability (See Note 11)	16,727,448
Other Amounts Due in More Than One Year	7,722,536
<i>Total Liabilities</i>	27,079,653
<b>Deferred Inflows of Resources</b>	
Property Taxes	4,890,886
Pension	451,058
<i>Total Deferred Inflows of Resources</i>	5,341,944
<b>Net Position (Deficit)</b>	
Net Investment in Capital Assets	12,192,018
Restricted for:	
Capital Projects	4,193,118
Debt Service	1,800,777
Classroom Facilities Maintenance	930,975
State Programs	114,806
Federal Programs	493,936
Food Service	338,997
Other Purposes	236,209
Unrestricted	(8,481,767)
<i>Total Net Position</i>	\$11,819,069

See accompanying notes to the basic financial statements.

**Bellaire Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,297,185	\$858,968	\$70,611	(\$6,367,606)
Special	2,479,099	0	2,229,601	(249,498)
Vocational	64,101	0	13,837	(50,264)
Student Intervention Services	258,925	0	103,062	(155,863)
Support Services:				
Pupil	1,477,495	132,010	218,133	(1,127,352)
Instructional Staff	459,838	0	125,539	(334,299)
Board of Education	24,275	0	0	(24,275)
Administration	1,303,151	0	32,978	(1,270,173)
Fiscal	452,646	0	60,259	(392,387)
Operation and Maintenance of Plant	1,842,657	20,500	93,885	(1,728,272)
Pupil Transportation	1,190,889	0	0	(1,190,889)
Central	68,984	0	0	(68,984)
Operation of Non-Instructional Services	149,818	88,518	43,552	(17,748)
Food Service Operations	613,042	68,941	471,272	(72,829)
Extracurricular Activities	440,622	310,653	0	(129,969)
Interest and Fiscal Charges	66,508	0	0	(66,508)
<i>Total Governmental Activities</i>	<u>\$18,189,235</u>	<u>\$1,479,590</u>	<u>\$3,462,729</u>	<u>(13,246,916)</u>
<b>General Revenues</b>				
Property Taxes Levied for General Purposes				3,654,816
Property Taxes Levied for Capital Outlay				347,626
Property Taxes Levied for Debt Service				448,565
Property Taxes Levied for Classroom Facilities Maintenance				67,478
Grants and Entitlements not Restricted to Specific Programs				9,058,991
Gifts and Donations				14,270
Investment Earnings				61,036
Oil and Gas Lease Bonus				87,000
Gain on Sale of Capital Assets				1,000
Miscellaneous				100,280
<i>Total General Revenues</i>				<u>13,841,062</u>
Change in Net Position				594,146
<i>Net Position Beginning of Year</i>				<u>11,224,923</u>
<i>Net Position End of Year</i>				<u><u>\$11,819,069</u></u>

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2017*

	General	Qualified Zone Academy	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$6,812,336	\$2,255,988	\$1,328,277	\$3,053,222	\$13,449,823
Investments	0	0	0	10,279	10,279
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	0	145,996	0	0	145,996
Investments with Fiscal and Escrow Agents	0	0	406,203	0	406,203
Receivables:					
Property Taxes	4,399,941	0	619,851	523,102	5,542,894
Intergovernmental	120,314	0	0	661,032	781,346
Interfund	59,481	0	0	0	59,481
Accounts	0	1,806,000	0	0	1,806,000
Prepaid Items	58,711	945,813	0	0	1,004,524
Materials and Supplies Inventory	61,230	0	0	34,050	95,280
<i>Total Assets</i>	<u>\$11,512,013</u>	<u>\$5,153,797</u>	<u>\$2,354,331</u>	<u>\$4,281,685</u>	<u>\$23,301,826</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$46,225	\$8,575	\$0	\$16,932	\$71,732
Contracts Payable	0	292,674	0	0	292,674
Retainage Payable	0	145,996	0	0	145,996
Accrued Wages and Benefits Payable	727,114	0	0	164,236	891,350
Matured Severance Payable	3,967	0	0	0	3,967
Interfund Payable	0	0	0	59,481	59,481
Intergovernmental Payable	312,219	0	0	17,434	329,653
<i>Total Liabilities</i>	<u>1,089,525</u>	<u>447,245</u>	<u>0</u>	<u>258,083</u>	<u>1,794,853</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	3,870,687	0	550,229	469,970	4,890,886
Unavailable Revenue	508,474	1,806,000	54,285	568,776	2,937,535
<i>Total Deferred Inflows of Resources</i>	<u>4,379,161</u>	<u>1,806,000</u>	<u>604,514</u>	<u>1,038,746</u>	<u>7,828,421</u>
<b>Fund Balances (Deficit)</b>					
Nonspendable					
Inventories	61,230	0	0	34,050	95,280
Prepaid	58,711	945,813	0	0	1,004,524
Restricted for:					
Capital Projects	0	1,954,739	0	1,405,375	3,360,114
Debt Service	0	0	1,749,817	0	1,749,817
Classroom Facilities Maintenance	0	0	0	923,488	923,488
State Programs	0	0	0	114,806	114,806
Food Service	0	0	0	304,947	304,947
Other Purposes	0	0	0	236,209	236,209
Committed to:					
Termination Benefits	200,000	0	0	0	200,000
Assigned to Purchases on Order	15,307	0	0	0	15,307
Unassigned	5,708,079	0	0	(34,019)	5,674,060
<i>Total Fund Balances</i>	<u>6,043,327</u>	<u>2,900,552</u>	<u>1,749,817</u>	<u>2,984,856</u>	<u>13,678,552</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$11,512,013</u>	<u>\$5,153,797</u>	<u>\$2,354,331</u>	<u>\$4,281,685</u>	<u>\$23,301,826</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, 2017*

**Total Governmental Fund Balances** \$13,678,552

*Amounts reported for governmental activities in the  
Statement of Net Position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 17,570,209

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

Intergovernmental	527,955
Property Taxes	507,225
Tuition and Fees	96,355
Contributions and Donations	<u>1,806,000</u>

Total 2,937,535

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. 81,975

Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources are therefore are not reported in the funds. (55,233)

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:

General Obligation Bonds - Serial	1,140,000
General Obligation Bonds - Capital Appreciation	119,084
Accretion of Capital Appreciation Bonds Interest Premium	140,430
Qualified Zone Academy Bonds	65,025
Intergovernmental Payable	6,000,000
Capital Leases	15,000
Compensated Absences	6,225
	<u>700,649</u>

Total (8,186,413)

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	2,974,275
Net Pension Liability	(16,727,448)
Deferred Inflows - Pension	<u>(451,058)</u>

Total (14,204,231)

*Net Position of Governmental Activities* \$11,819,069

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, 2017*

	General	Qualified Zone Academy	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$3,655,278	\$0	\$466,467	\$416,376	\$4,538,121
Intergovernmental	10,253,268	0	56,633	1,896,067	12,205,968
Investment Earnings	34,555	11,170	6,203	923	52,851
Tuition and Fees	856,361	0	0	78,995	935,356
Extracurricular Activities	138,634	0	0	172,019	310,653
Oil and Gas Lease Bonus	87,000	0	0	0	87,000
Rent	20,500	0	0	0	20,500
Gifts and Donations	2,213	602,000	0	12,057	616,270
Charges for Services	0	0	0	210,474	210,474
Miscellaneous	85,354	0	0	14,926	100,280
<i>Total Revenues</i>	<u>15,133,163</u>	<u>613,170</u>	<u>529,303</u>	<u>2,801,837</u>	<u>19,077,473</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	5,287,701	628,451	0	62,538	5,978,690
Special	1,389,317	0	0	862,391	2,251,708
Vocational	61,558	0	0	0	61,558
Student Intervention Services	159,435	0	0	84,185	243,620
Support Services:					
Pupil	928,765	0	0	412,845	1,341,610
Instructional Staff	27,879	269,187	0	103,468	400,534
Board of Education	19,863	0	0	0	19,863
Administration	1,118,475	0	0	27,185	1,145,660
Fiscal	374,724	0	10,635	8,582	393,941
Operation and Maintenance of Plant	1,559,796	572,627	0	22,375	2,154,798
Pupil Transportation	890,642	0	0	0	890,642
Central	67,965	0	0	0	67,965
Operation of Non-Instructional Services	0	0	0	149,818	149,818
Food Service Operations	0	0	0	537,348	537,348
Extracurricular Activities	223,088	0	0	154,554	377,642
Capital Outlay	5,000	1,560,223	0	121,609	1,686,832
Debt Service:					
Principal Retirement	0	0	130,912	24,900	155,812
Interest and Fiscal Charges	0	0	45,600	0	45,600
CAB Accretion	0	0	139,088	0	139,088
<i>Total Expenditures</i>	<u>12,114,208</u>	<u>3,030,488</u>	<u>326,235</u>	<u>2,571,798</u>	<u>18,042,729</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	3,018,955	(2,417,318)	203,068	230,039	1,034,744
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	1,000	0	0	0	1,000
Transfers In	0	0	400,000	437,000	837,000
Transfers Out	(837,000)	0	0	0	(837,000)
Total Other Financing Sources (Uses)	<u>(836,000)</u>	<u>0</u>	<u>400,000</u>	<u>437,000</u>	<u>1,000</u>
<i>Net Change in Fund Balances</i>	2,182,955	(2,417,318)	603,068	667,039	1,035,744
<i>Fund Balances Beginning of Year</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>Fund Balances End of Year</i>	<u>\$6,043,327</u>	<u>\$2,900,552</u>	<u>\$1,749,817</u>	<u>\$2,984,856</u>	<u>\$13,678,552</u>

**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, 2017*

**Net Change in Fund Balances - Total Governmental Funds** \$1,035,744

*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 capital outlay exceeded depreciation in the current period.

Capital Outlay	2,206,885	
Current Year Depreciation	<u>(1,099,147)</u>	
Total		1,107,738

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

Intergovernmental	315,752	
Property Taxes	(19,636)	
Tuition and Fees	2,607	
Contributions and Donations	<u>(602,000)</u>	
Total		(303,277)

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	130,912	
Accretion of Interest on Capital Appreciation Bonds	139,088	
Capital Leases	<u>24,900</u>	
Total		294,900

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

Accretion on Capital Appreciation Bonds		(33,914)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of Bond Premium	13,006	
Vacation Benefits Payable	(2,137)	
Intergovernmental Payable	5,000	
Compensated Absences	<u>(4,086)</u>	
Total		11,783

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.

(1,055,682)

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

745,796

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

(1,208,942)

*Change in Net Position of Governmental Activities*

\$594,146

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, 2017*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,680,000	\$3,867,904	\$3,645,768	(\$222,136)
Intergovernmental	9,801,723	10,115,521	10,279,263	163,742
Interest	19,160	26,373	34,555	8,182
Tuition and Fees	751,768	992,150	901,994	(90,156)
Extracurricular Activities	65,526	97,094	138,634	41,540
Oil and Gas Lease Bonus	0	87,000	87,000	0
Rent	32,316	8,521	20,500	11,979
Gifts and Donations	10,182	2,195	2,213	18
Miscellaneous	16,063	74,606	85,354	10,748
<i>Total Revenues</i>	<u>13,376,738</u>	<u>15,271,364</u>	<u>15,195,281</u>	<u>(76,083)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,613,696	7,645,366	5,239,938	2,405,428
Special	1,488,833	1,448,870	1,379,970	68,900
Vocational	65,994	50,265	61,692	(11,427)
Student Intervention Services	167,201	149,109	159,435	(10,326)
Support Services:				
Pupil	1,076,815	780,051	952,506	(172,455)
Instructional Staff	18,086	22,319	27,879	(5,560)
Board of Education	55,553	91,360	20,048	71,312
Administration	1,120,917	808,139	1,118,949	(310,810)
Fiscal	495,312	349,130	374,761	(25,631)
Operation and Maintenance of Plant	1,705,832	1,357,146	1,557,094	(199,948)
Pupil Transportation	1,046,534	808,195	882,681	(74,486)
Central	39,718	68,715	67,965	750
Extracurricular Activities	223,095	166,868	219,474	(52,606)
Capital Outlay	5,447	2,500	5,000	(2,500)
<i>Total Expenditures</i>	<u>13,123,033</u>	<u>13,748,033</u>	<u>12,067,392</u>	<u>1,680,641</u>
Excess of Revenues Over Expenditures	253,705	1,523,331	3,127,889	1,604,558
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	6,200	7,200	1,000	(6,200)
Advances Out	(69,843)	(69,843)	0	69,843
Transfers In	635,000	3,547	0	(3,547)
Transfers Out	(424,835)	(424,835)	(837,000)	(412,165)
Total Other Financing Sources (Uses)	<u>146,522</u>	<u>(483,931)</u>	<u>(836,000)</u>	<u>(352,069)</u>
<i>Net Change in Fund Balance</i>	400,227	1,039,400	2,291,889	1,252,489
<i>Fund Balance Beginning of Year</i>	4,545,749	4,545,749	4,545,749	0
Prior Year Encumbrances Appropriated	5,271	5,271	5,271	0
<i>Fund Balance End of Year</i>	<u>\$4,951,247</u>	<u>\$5,590,420</u>	<u>\$6,842,909</u>	<u>\$1,252,489</u>

See accompanying notes to the basic financial statements

**Bellaire Local School District**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2017*

	Governmental Activity
	Internal Service Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$133,690
Cash and Cash Equivalents with Fiscal Agents	320,147
<i>Total Assets</i>	453,837
<b>Current Liabilities</b>	
Claims Payable	371,862
<i>Total Liabilities</i>	371,862
<b>Net Position</b>	
Unrestricted	81,975
<i>Total Net Position</i>	\$81,975

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, 2017*

	Governmental Activity <hr/> Internal Service Fund <hr/>
<b>Operating Revenues</b>	
Charges for Services	<hr/> \$2,108,645 <hr/>
<i>Total Operating Revenues</i>	<hr/> 2,108,645 <hr/>
<b>Operating Expenses</b>	
Purchased Services	551,132
Claims	<hr/> 2,621,380 <hr/>
<i>Total Operating Expenses</i>	<hr/> 3,172,512 <hr/>
<i>Operating Loss</i>	(1,063,867)
<b>Non-Operating Revenues</b>	
Interest	<hr/> 8,185 <hr/>
<i>Change in Net Position</i>	(1,055,682)
<i>Net Position Beginning of Year</i>	<hr/> 1,137,657 <hr/>
<i>Net Position End of Year</i>	<hr/> <hr/> \$81,975 <hr/> <hr/>

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, 2017

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$2,108,645
Other Operating Revenues	470,952
Cash Payments for Services	(551,132)
Cash Payments for Claims	(2,853,387)
	(824,922)
<i>Net Cash Used for Operating Activities</i>	<i>(824,922)</i>
<b>Cash Flows from Investing Activities</b>	
Interest	8,185
	8,185
<i>Net Cash Provided by Investing Activities</i>	<i>8,185</i>
<i>Net Decrease in Cash and Cash Equivalents</i>	(816,737)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,270,574
<i>Cash and Cash Equivalents End of Year</i>	\$453,837
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$1,063,867)
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	88,129
Increase in Claims Payable	150,816
	238,945
<i>Net Cash Used for Operating Activities</i>	<i>(\$824,922)</i>
See accompanying notes to the basic financial statements	

**Bellaire Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2017*

	Private Purpose Trust Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$425,214	\$46,255
Cash and Cash Equivalents in Segregated Accounts	0	4,489
Investments	81,451	0
<i>Total Assets</i>	506,665	50,744
<b>Liabilities</b>		
Undistributed Monies	0	\$4,489
Due to Students	0	46,255
<i>Total Liabilities</i>	0	\$50,744
<b>Net Position</b>		
Held in Trust for Scholarships	506,665	
<i>Total Net Position</i>	\$506,665	

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, 2017*

	Private Purpose Trust Fund
<b>Additions</b>	
Interest	\$219
<b>Deductions</b>	
Scholarships Awarded	1,000
<i>Change in Net Position</i>	(781)
<i>Net Position Beginning of Year</i>	507,446
<i>Net Position End of Year</i>	\$506,665

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, 2017*

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**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 62 non-certificated employees, 75 full-time teaching personnel and 10 administrative employees who provide services to 1,164 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, 2 maintenance buildings, and 1 bus garage.

The School District, which had previously been declared to be in a state of “Fiscal Caution” and then “Fiscal Watch” by the Ohio Department of Education on April 24, 2009, and September 10, 2009, respectively, has been elevated to the state of “Fiscal Emergency.” The School District did not provide an acceptable proposal to the Ohio Department of Education, and on December 31, 2009, the Auditor of State declared the School District to be in a state of “Fiscal Emergency.” In accordance with State Statute, a five member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of the State Director of the Office of Budget and Management (or designee), the State Superintendent of Public Instruction (or designee), a resident/business owner within the School District appointed by the Belmont County Auditor, a local business person appointed by the Governor, and a parent with a child enrolled within the School District appointed by the State Superintendent of Public Instruction. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the School District Plan on May 5, 2010 which was submitted to the Ohio Department of Education for approval and was subsequently rejected. The Commission then adopted a revised School District Plan on September 29, 2010. The School District and the Commission submitted a revised financial recovery plan to the Ohio Department of Education on June 19, 2012, which was approved by the Ohio Department of Education on June 21, 2012, which included additional reductions in the amount of \$908,725. On October 14, 2013 a revised financial recovery plan was approved for fiscal year 2014 which included additional reductions in the amount of \$575,420. On October 6, 2014 a revised financial recovery plan was approved for fiscal year 2015. On March 31, 2016 a revised financial recovery plan was approved for fiscal year 2016, which included additional reductions in the amount \$706,547. On April 17, 2017 the Ohio Department of Education released the School District from Fiscal Emergency.

*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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, 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 18, 19, and 20.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. Basis of Presentation**

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

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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***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.

***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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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.

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 11.

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, 2017, but which were levied to finance fiscal year 2018 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18. Net Deferred inflows of resources related to pension are reported on the government-wide statement of Net Position. See Note 11 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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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.

**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 2017, investments were limited to money market mutual funds, negotiable certificates of deposit, and non-negotiable certificates of deposit. Non-negotiable certificates of deposits are reported at cost. Money Market mutual funds and negotiable certificates of deposit are reported at fair value.

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 2017 amounted to \$34,555 which includes \$20,451 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. Restricted assets in governmental funds represent unexpended revenues restricted for amounts in a debt service fiscal agent account restricted by debt covenants for future debt service payments and amounts withheld on construction contracts until the successful completion of the contract.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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.

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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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.

**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. 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 sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Bond issuance costs are expensed in the funds in the period the bonds are issued.

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

**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:

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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

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

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

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. For fiscal year 2017, the School District has a committed fund balance in the amount of \$200,000 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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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.

**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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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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**

For fiscal year 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures". GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**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 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	\$2,182,955
Revenue Accruals	62,118
Expenditure Accruals	75,724
Encumbrances	<u>(28,908)</u>
Budget Basis	<u><u>\$2,291,889</u></u>

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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.

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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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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, 2017, the School District's internal service fund had a balance of \$320,147 with Jefferson Health Plan Self Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 19). 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 \$14,417,111. Of the bank balance, \$269,489 was covered by Federal depository insurance and the remaining balance of \$14,147,622 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

**Investments**

As of June 30, 2017, the School District had the following investments:

**Bellaire Local School District**  
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Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level One Inputs				
Money Market Mutual Fund	\$3,887	Less than one year	AAAm	0.78 %
Fair Value - Level Two Inputs				
Negotiable CDs	402,316	Less than five years	N/A	80.80
Non-Negotiable CDs	91,730	Less than one year	N/A	18.42
Total Fair Value - Level Two Inputs	494,046			99.22
Total Investments	\$497,933			100.00 %

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The Money Market Mutual Fund is measured at fair value and it is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Interest Rate Risk** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity.

State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk** The credit ratings for the School District's securities are listed above. Ohio law requires money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices. The investments in mutual funds and common stock are donated investments, and were not purchased by the School District.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 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, 2017, are available to finance fiscal year 2017 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, 2017 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 yearend. 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, 2017 was \$117,135 in the General Fund, \$15,337 in the Debt Service Fund, \$10,118 in the Permanent Improvement Capital Projects Fund, and \$2,193 in the Classroom Facilities Maintenance Special Revenue Fund. 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.

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 2017 taxes were collected are:

**Bellaire Local School District**  
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	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$118,643,670	85.28%	\$124,842,730	58.50%
Public Utility Personal	20,477,040	14.72%	88,578,470	41.50%
Total Assessed Values	<u>\$139,120,710</u>	<u>100.00%</u>	<u>\$213,421,200</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$33.05		\$32.20

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2017, 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 \$507,225 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 \$1,806,000 that is scheduled to be contributed over a three year period. Of the total, \$1,204,000 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>
<b>Governmental Activities</b>	
Excess Costs from Other School Districts	\$96,355
Workers Compensation Rebate	21,010
Medicaid Reimbursement	2,949
Title I Grant	383,821
IDEA Part B Grant	206,702
Title II-A Improving Teacher Quality Grant	70,509
Total Intergovernmental Receivables	<u>\$781,346</u>

**NOTE 8 - TAX ABATEMENTS**

Belmont County provides tax abatements through an Enterprise Zone Tax Exemption program. Pursuant to Ohio Revised Code Chapter 5709, the County established an Enterprise Zone on July 27, 2016. This program provides property tax abatements to encourage new investment. During 2016, the Muxie Distributing Company was located in the enterprise zone. The company constructed a new facility, which was completed in January 2017, and will receive an abatement of 60 percent of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement will be deducted from the recipient's tax bill. There was no deduction in the School District's property taxes during 2017 related to this abatement due to the timing of the construction.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
<b>Non-Depreciable Capital Assets:</b>				
Land	\$718,812	\$0	\$0	\$718,812
Construction in Progress	191,085	2,123,709	(754,571)	1,560,223
<b>Total Non-Depreciable Capital Assets</b>	<b>909,897</b>	<b>2,123,709</b>	<b>(754,571)</b>	<b>2,279,035</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	1,698,137	0	0	1,698,137
Buildings and Improvements	28,826,841	786,214	0	29,613,055
Furniture and Equipment	1,708,138	51,533	(12,480)	1,747,191
Vehicles	1,477,160	0	(29,500)	1,447,660
<b>Total Depreciable Capital Assets</b>	<b>33,710,276</b>	<b>837,747</b>	<b>(41,980)</b>	<b>34,506,043</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(1,147,856)	(72,941)	0	(1,220,797)
Buildings and Improvements	(15,139,206)	(882,422)	0	(16,021,628)
Furniture and Equipment	(1,309,719)	(90,770)	12,480	(1,388,009)
Vehicles	(560,921)	(53,014)	29,500	(584,435)
<b>Total Accumulated Depreciation</b>	<b>(18,157,702)</b>	<b>(1,099,147)</b>	<b>41,980</b>	<b>(19,214,869)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>15,552,574</b>	<b>(261,400)</b>	<b>0</b>	<b>15,291,174</b>
<b>Governmental Capital Assets, Net</b>	<b>\$16,462,471</b>	<b>\$1,862,309</b>	<b>(\$754,571)</b>	<b>\$17,570,209</b>

\*Depreciation expense was charged to governmental activities as follows:

<b>Instruction:</b>	
Regular	\$806,627
Special	12,685
Vocational	747
<b>Support Services:</b>	
Instructional Staff	59,304
Board of Education	4,412
Administration	2,917
Fiscal	11,587
Operation and Maintenance of Plant	32,699
Pupil Transportation	114,876
Central	1,019
Food Service Operations	17,506
Extracurricular Activities	34,768
<b>Total Depreciation Expense</b>	<b>\$1,099,147</b>

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 - 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 2017 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 19). 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)	\$61,858,589
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	5,000,000
<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 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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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 \$693.47 for a single plan and \$1683.92 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 \$62.23 per covered employee.

The claims liability of \$371,862 reported in the internal service fund at June 30, 2017 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				
2016	\$212,051	\$1,701,867	\$1,692,872	\$221,046
2017	221,046	2,621,380 (1)	2,470,564 (2)	371,862
(1) Claims Expense		\$2,621,380		
(2) Cash Payments for Claims			\$2,853,387	
- Stop Loss Received for 2017 Claims			(382,823)	
Claims Payments			<u>\$2,470,564</u>	

**NOTE 11 - 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.

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](http://www.ohsers.org) under Employers/Audit Resources.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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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 years 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.

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, 2017, 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 \$245,748 for fiscal year 2017. Of this amount \$0 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 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](http://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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied 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 a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$500,048 for fiscal year 2017. Of this amount \$80,184 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Bellaire Local School District**  
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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	0.05932620%	0.03838273%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.05694480%</u>	<u>0.03752161%</u>	
Change in Proportionate Share	<u>-0.00238140%</u>	<u>-0.00086112%</u>	
Proportionate Share of the Net			
Pension Liability	\$4,167,835	\$12,559,613	\$16,727,448
Pension Expense	\$336,600	\$872,342	\$1,208,942

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$56,214	\$507,468	\$563,682
Changes of assumptions	278,226	0	278,226
Net difference between projected and actual earnings on pension plan investments	343,786	1,042,785	1,386,571
School District contributions subsequent to the measurement date	<u>245,748</u>	<u>500,048</u>	<u>745,796</u>
Total Deferred Outflows of Resources	<u>\$923,974</u>	<u>\$2,050,301</u>	<u>\$2,974,275</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$228,018</u>	<u>\$223,040</u>	<u>\$451,058</u>

\$745,796 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$72,855	\$188,127	\$260,982
2019	72,607	188,128	260,735
2020	205,922	588,271	794,193
2021	<u>98,824</u>	<u>362,687</u>	<u>461,511</u>
Total	<u>\$450,208</u>	<u>\$1,327,213</u>	<u>\$1,777,421</u>

**Bellaire Local School District**  
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***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.

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, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 averaged 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.

**Bellaire Local School District**  
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 (7.50 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.

**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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District’s proportionate share of the net pension liability	\$5,517,952	\$4,167,835	\$3,037,729

**Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2016, 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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range 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:

Asset Class	Target Allocation	Long-Term Expected 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 %	7.61 %

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 of future plan members, are excluded. 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, 2016. 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, 2016.

**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	\$16,690,706	\$12,559,613	\$9,074,794

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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***Changes between Measurement Date and Report Date***

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

***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, 2017, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**NOTE 12 - 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](http://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 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$27,287.

**Bellaire Local School District**  
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The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$14,728, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

**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](http://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 employer contributions. For the fiscal years ended June 30, 2017, 2016 and 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 to 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 65 days for classified employees and 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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 14 - 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 \$4,151. Principal payments in fiscal year 2017 totaled \$24,900, in the governmental funds.

Future minimum lease payments through 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2018	<u><u>\$6,225</u></u>

**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Outstanding 6/30/16	Additions	Deductions	Outstanding 6/30/17	Due In One Year
<b><u>General Obligation Bonds:</u></b>					
<i>2009 School Improvement Refunding Bonds</i>					
Serial Bonds \$1,395,000 @ 3.5%-4.0%	\$1,140,000	\$0	\$0	\$1,140,000	\$0
CAB Bonds \$249,996 @ 3.9%-4.0%	249,996	0	130,912	119,084	119,084
CAB Accretion \$290,004 @ 9.697%	245,604	33,914	139,088	140,430	140,430
Premium \$169,073	78,031	0	13,006	65,025	0
<b>Total 2009 Refunding Bonds</b>	<b>1,713,631</b>	<b>33,914</b>	<b>283,006</b>	<b>1,464,539</b>	<b>259,514</b>
<i>2015 Qualified Zone Academy Bonds, \$6,000,000 @ 0%</i>					
	6,000,000	0	0	6,000,000	0
<b>Total General Obligation Bonds</b>	<b>7,713,631</b>	<b>33,914</b>	<b>283,006</b>	<b>7,464,539</b>	<b>259,514</b>
<b>Net Pension Liability *</b>					
STRS	10,607,863	1,951,750	0	12,559,613	0
SERS	3,385,211	782,624	0	4,167,835	0
<b>Total Net Pension Liability</b>	<b>13,993,074</b>	<b>2,734,374</b>	<b>0</b>	<b>16,727,448</b>	<b>0</b>
<b>Intergovernmental Payable</b>	<b>20,000</b>	<b>0</b>	<b>5,000</b>	<b>15,000</b>	<b>5,000</b>
<b>Capital Leases</b>	<b>31,125</b>	<b>0</b>	<b>24,900</b>	<b>6,225</b>	<b>6,225</b>
<b>Compensated Absences</b>	<b>696,563</b>	<b>113,952</b>	<b>109,866</b>	<b>700,649</b>	<b>193,138</b>
<b>Total General Long-Term Obligations</b>	<b>\$22,454,393</b>	<b>\$2,882,240</b>	<b>\$422,772</b>	<b>\$24,913,861</b>	<b>\$463,877</b>

\* For additional information related to net pension liability, see Note 11

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

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

The final capital appreciation bonds for this issue mature December 1, 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 \$270,000 with \$10,486 still to be accreted. For fiscal year 2017, \$33,914 was accreted leaving a total bond liability of \$259,514.

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, 2017 are as follows:

Fiscal Year	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
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>\$138,800</u>	<u>\$119,084</u>	<u>\$150,916</u>	<u>\$1,259,084</u>	<u>\$289,716</u>

*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.

**Bellaire Local School District**  
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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 the 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 the 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 January 7, 2016, and subsequent payments shall be made no later than January 1 each year thereafter.

The School District's overall legal debt margin was \$13,686,813, with an unvoted debt margin of \$213,421 at June 30, 2017.

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

Net Pension Liability – There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds the General Fund, Miscellaneous State Grant, Miscellaneous Federal Grant, Title I, and the Food Service Special Revenue Funds. For additional information related to the net pension liability, See Note 11.

**NOTE 16 - COMMITMENTS**

**A. Construction Commitments**

During fiscal year 2017, the School District entered into an agreement with Colaianni Construction, Inc. and Siebieda Architects for the construction of a Physical Education Facility. As of June 30, 2017 the School District had the following contractual commitment:

Contractor	Purchase Commitment	Amount Paid as of 6/30/17	Amount Remaining on Contract
Colaianni Construction, Inc.	\$1,795,816	\$1,459,958	\$335,858
Siebieda Architects	134,686	100,265	34,421
Total	\$1,930,502	\$1,560,223	\$370,279

**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	\$28,908
Other Non-major Governmental Funds	256,196
Total	\$285,104

**Bellaire Local School District**  
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**NOTE 17 - INTERNAL BALANCES**

Interfund balances at June 30, 2017 consist of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>
Interfund Payable	General Fund
Other Nonmajor Governmental Funds	\$59,481

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, 2017 consisted of the following:

	<u>Transfers to</u>		
	Debt	Other Nonmajor	
	Service	Governmental	Total
<u>Transfers from</u>			
General Fund	\$400,000	\$437,000	\$837,000

Transfers from the General Fund to the Debt Service Fund were for the annual debt service sinking payments to the QZAB debt service escrow account. Transfers were also used to move gas and oil lease revenue from the General Fund to the Permanent Improvement fund to be used for capital improvements.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

*Belmont-Harrison Vocational School District* – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards. The Board exercises total control over the district including budgeting, appropriating, contracting, and designates management. During fiscal year 2017, 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 2017, the total amount paid to OME-RESA from the School District was \$20,825 for technology services and \$44,822 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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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*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 2017.

**NOTE 19 - 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 \$575 for policy year 2017 was paid to Comp Services.

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

**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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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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 20 - RELATED ORGANIZATION**

*Bellaire Public Library* - The Bellaire Public Library is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Bellaire Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for 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 32<sup>nd</sup> and Guernsey Street, Bellaire, Ohio 43906.

**NOTE 21 - 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 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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	214,338
Current Year Offsets	(510,208)
Totals	(\$295,870)
Balance Carried Forward to Fiscal Year 2018	\$0
Set-aside Restricted Balance as of June 30, 2017	\$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 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

**B. State Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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, 2017 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. In consideration of the execution of the lease, the School District received a signing bonus in the amount of \$45,000 during fiscal year 2017. 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.

**Bellaire Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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*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. In consideration of the execution of the lease, the School District received a signing bonus in the amount of \$42,000 during fiscal year 2017. 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.

**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 Four Fiscal Years (1)\**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.05694480%	0.59326200%	0.06358900%	0.06358900%
School District's Proportionate Share of the Net Pension Liability	\$4,167,835	\$3,385,211	\$3,218,203	\$3,781,433
School District's Covered Payroll	\$1,784,900	\$1,796,039	\$1,845,296	\$1,935,388
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	233.51%	188.48%	174.40%	195.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior 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 Four Fiscal Years (1)\**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.03752161%	0.03838273%	0.03846581%	0.03846581%
School District's Proportionate Share of the Net Pension Liability	\$12,559,613	\$10,607,863	\$9,356,216	\$11,145,062
School District's Covered Payroll	\$3,944,179	\$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 Payroll	318.43%	264.75%	240.13%	266.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$245,748	\$249,886	\$236,718	\$255,758	\$267,858	\$293,898	\$269,732	\$308,356	\$218,533	\$203,140
Contributions in Relation to the Contractually Required Contribution	<u>(245,748)</u>	<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>
Contribution Deficiency (Excess)	<u>\$0</u>									
School District Covered Payroll	\$1,755,343	\$1,784,900	#####	\$1,845,296	\$1,935,388	#####	\$2,145,836	\$2,277,372	\$2,220,860	\$2,068,637
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<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>
Contractually Required Contribution	\$500,048	\$552,185	\$560,942	\$506,513	\$543,164	\$589,207	\$742,303	\$874,126	\$882,770	\$857,668
Contributions in Relation to the Contractually Required Contribution	<u>(500,048)</u>	<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>
Contribution Deficiency (Excess)	<u>\$0</u>									
School District Covered Payroll	\$3,571,771	\$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
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Bellaire Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

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**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR/ Pass-Through Grantor Program/ Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance:			
National School Lunch Program - Food Donation	10.555	N/A	\$31,135
Cash Assistance:			
School Breakfast Program	10.553	043570-05PU-16	167,494
National School Lunch Program	10.555	043570-LLP4-16	287,620
Cash Assistance Subtotal			<u>455,114</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster			486,249
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	043570-C1S1-16 043570-C1S1-17	174,089 <u>546,803</u>
Total Title I Grants to Local Educational Agencies			720,892
Special Education Cluster (IDEA):			
Special Education, Grants to States (IDEA, Part B)	84.027	043570-6BSF-16 043570-6BSF-17	89,646 <u>261,803</u> 351,449
<i>Passed through East Central Ohio Educational Service Center:</i>			
Special Education - Preschool Grants (IDEA Preschool)	84.173	n/a	<u>3,555</u>
Total Special Education Cluster (IDEA)			355,004
Improving Teacher Quality State Grants	84.367	043570-TRS1-17	63,233
Fund for the Improvement of Education - Direct Program			
Elementary and Secondary School Counseling Programs Discretionary/Competitive Grants	84.215.R	S215E130047 S215E130047	32,457 <u>62,054</u> 94,511
Total Fund for the Improvement of Education - Direct Program			<u>94,511</u>
Total U.S. Department of Education			<u>1,233,640</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$1,719,889</u></u></b>

*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, 2017**

**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, 2017. 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 34<sup>th</sup> 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, 2017, 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 January 31, 2018.

### ***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 initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 31, 2018



# Dave Yost • Auditor of State

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

Bellaire Local School District  
Belmont County  
340 34<sup>th</sup> Street  
Bellaire, Ohio 43906

To the Board of Education:

### ***Report on Compliance for the 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 the School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

### ***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 the School District's major federal program 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 the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on the 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 its major federal program for the year ended June 30, 2017.

***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 the 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

January 31, 2018

**BELLAIRE LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies – CFDA #84.010</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 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.

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# Dave Yost • Auditor of State

**BELLAIRE LOCAL SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 13, 2018**