

BELMONT-HARRISON JOINT VOCATIONAL SCHOOL DISTRICT
ANNUAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Dave Yost • Auditor of State

Board of Education
Belmont-Harrison Joint Vocational School District
110 Fox Shannon Place
St. Clairsville, Ohio 43950

We have reviewed the *Independent Auditors' Report* of the Belmont-Harrison Joint Vocational School District, Belmont County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Belmont-Harrison Joint Vocational School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 6, 2012

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**BELMONT-HARRISON JOINT VOCATIONAL SCHOOL DISTRICT
BELMONT COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Education
Belmont-Harrison Joint Vocational School District
St. Clairsville, Ohio 43950

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Joint Vocational School District, Belmont County as of June 30, 2010, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2011, on our consideration of Belmont-Harrison Joint Vocational School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 29, 2011

Belmont-Harrison Joint Vocational School District

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Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

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

Financial Highlights

Key financial highlights for the fiscal year 2010 are as follows:

- In total, net assets decreased \$329,408.
- General revenues accounted for \$5,548,679 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,279,197 or 19 percent of total revenues of \$6,827,876.
- Total assets of governmental activities decreased \$396,790 primarily due to depreciation expense and decreases in cash and cash equivalents.
- The School District had \$7,157,284 in expenses related to governmental activities; only \$1,279,197 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,548,679 were not adequate to provide for these programs.
- The School District has one major fund, the General Fund. The General Fund had \$6,366,346 in revenues and \$6,466,133 in expenditures. Overall, including other financing sources the General Fund's balance decreased \$92,347.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Belmont-Harrison Vocational 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 conditions.

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

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

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

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities including instruction, support services and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General 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 fiscal 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 governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Belmont-Harrison Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

Table 1
Net Assets

	Governmental Activities		
	2010	2009	Change
Assets			
Current and Other Assets	\$2,444,567	\$2,782,919	(\$338,352)
Capital Assets	2,027,083	2,085,521	(58,438)
Total Assets	4,471,650	4,868,440	(396,790)
Liabilities			
Long-Term Liabilities	1,451,090	1,580,780	(129,690)
Other Liabilities	2,220,201	2,157,893	62,308
Total Liabilities	3,671,291	3,738,673	(67,382)
Net Assets			
Invested in Capital Assets	1,727,081	1,752,186	(25,105)
Restricted	113,079	203,310	(90,231)
Unrestricted (Deficit)	(1,039,801)	(825,729)	(214,072)
Total Net Assets	\$800,359	\$1,129,767	(\$329,408)

Total assets of governmental activities decreased \$396,790 primarily due to a decrease in cash and cash equivalents and depreciation expense related to capital assets.

Total net assets of the School District's governmental activities decreased \$329,408. The unrestricted (deficit) net assets decreased from, (\$825,729) to (\$1,039,801) due to expenses exceeding revenues. While the restricted net assets reflected little change, invested in capital assets, net of debt decreased primarily due to annual depreciation expense and was offset by capital assets additions and debt service payments.

Belmont-Harrison Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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

Table 2
Changes in Net Assets

	Governmental Activities		Change
	2010	2009	
Revenues			
Program Revenues			
Charges for Services	\$289,750	\$186,973	\$102,777
Operating Grants and Contributions	989,447	1,093,429	(103,982)
Total Program Revenues	1,279,197	1,280,402	(1,205)
General Revenues			
Property Taxes	1,444,164	1,451,633	(7,469)
Grants and Entitlements not Restricted to Specific Programs	4,065,856	4,046,130	19,726
Investments	6,506	20,503	(13,997)
Other	32,153	18,779	13,374
Total General Revenues	5,548,679	5,537,045	11,634
Total Revenues	6,827,876	6,817,447	10,429
Program Expenses			
Instruction			
Regular	297,644	293,797	3,847
Special	11,450	0	
Vocational	3,908,659	3,979,404	(70,745)
Student Intervention Services	91,766	89,427	2,339
Support Services			
Pupils	912,002	898,421	13,581
Instructional Staff	99,279	132,723	(33,444)
Board of Education	36,238	29,042	7,196
Administration	530,409	571,671	(41,262)
Fiscal	252,357	305,191	(52,834)
Operation and Maintenance of Plant	599,500	602,812	(3,312)
Central	183,552	173,769	9,783
Food Service Operations	204,578	192,560	12,018
Extracurricular Activities	29,850	33,263	(3,413)
Total Expenses	7,157,284	7,302,080	(156,246)
Decrease in Net Assets	(329,408)	(484,633)	155,225
Net Assets Beginning of Year	1,129,767	1,614,400	(484,633)
Net Assets End of Year	\$800,359	\$1,129,767	(\$329,408)

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

In 2010, 21 percent of the School District's revenues were from property taxes and 60 percent were from unrestricted grants and entitlements. Operating grants decreased by \$103,982 due primarily to decreases in state funded programs, while charges for services increased by \$102,777 due to increased fees.

Instructional programs comprise approximately 60 percent of governmental program expenses, a decrease of \$53,109 from fiscal year 2009. Overall, program expenses of the School District decreased by \$156,246 due to the elimination of the workforce development program that had previously been housed at Shadyside Local School District as well as conservative spending.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2010 as compared to 2009. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Services	
	2010	2009	2010	2009
Instruction				
Regular	\$297,644	\$293,797	\$282,847	\$247,130
Special	11,450	0	164	0
Vocational	3,908,659	3,979,404	3,121,686	3,287,277
Student Intervention Services	91,766	89,427	1,311	(321)
Support Services				
Pupils	912,002	898,421	816,943	805,977
Instructional Staff	99,279	132,723	37,182	(8,137)
Board of Education	36,238	29,042	36,238	29,042
Administration	530,409	571,671	516,633	561,265
Fiscal	252,357	305,191	252,357	305,191
Operation and Maintenance of Plant	599,500	602,812	599,500	602,229
Central	183,552	173,769	181,238	158,939
Food Service Operations	204,578	192,560	15,881	12,854
Extracurricular Activities	29,850	33,263	16,107	20,232
Total Expenses	\$7,157,284	\$7,302,080	\$5,878,087	\$6,021,678

The dependence upon tax revenues and state subsidies for government activities is apparent as eighty-two percent of expenses are supported through taxes and other general revenues.

Belmont-Harrison Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

The School District Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. Total governmental funds had \$6,861,582 in revenues and \$7,059,302 in expenditures. The net change in governmental fund balances, including other financing sources was a decrease of \$190,280.

General Fund Budgeting Highlights

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

During the course of fiscal 2010 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant differences between budgeted and actual amounts during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010 the School District had \$2,027,083, net of accumulated depreciation, invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2010, the School District had an outstanding loan that was originally issued in the amount of \$500,000 at a zero percent interest rate, from the vocational school building assistance loan program. The School District made the scheduled principal repayment during fiscal year 2010.

**Table 5
Outstanding Debt at Fiscal Year End**

	Governmental Activities	
	2010	2009
2004 Vocational School Building Assistance Loan	<u>\$300,002</u>	<u>\$333,335</u>

See Note 14 for more information regarding debt.

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Economic Factors

The Belmont-Harrison Vocational School District relies heavily on state foundation and real estate taxes. Under HB 1 Vocational School Districts are funded based on fiscal year 2009 state foundation amounts for fiscal years 2010 and 2011. Vocational Schools are capped at a 0.75 percent increase over the previous fiscal year, thus any increase in the number of students served by the Vocational School will not generate additional revenue. The State is conducting a study over the biennium to determine how Vocational School Districts will be funded beyond fiscal year 2011.

Real Estate tax collections are a function of several variables including valuation, effective millage, delinquencies, and collection rate. The Vocational School's effective millage is currently 1.45 mills. Due to current economic trends the School District has recognized small increases in revenue from real estate taxes, although personal property tax collections are being phased out completely. With minimal increases in revenue while expenditures continue to rise, the Vocational School must explore ways to decrease spending in order to remain financially sound.

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 any questions about this report or need additional financial information contact Mark Lucas, Treasurer/CFO at Belmont-Harrison Vocational School District, 110 Fox Shannon Place, St. Clairsville, Ohio 43950.

Basic Financial Statements

Belmont-Harrison Vocational School District
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$683,538
Intergovernmental Receivable	45,545
Prepaid Items	27,468
Materials and Supplies Inventory	27,096
Property Taxes Receivable	1,613,191
Cash and Cash Equivalents with Fiscal Agents	47,729
Non-Depreciable Capital Assets	1,090,229
Depreciable Capital Assets, Net	<u>936,854</u>
<i>Total Assets</i>	<u>4,471,650</u>
Liabilities	
Accrued Wages and Benefits Payable	680,985
Intergovernmental Payable	108,466
Claims Payable	79,229
Deferred Revenue	1,351,521
Long-Term Liabilities:	
Due Within One Year	94,223
Due In More Than One Year	<u>1,356,867</u>
<i>Total Liabilities</i>	<u>3,671,291</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,727,081
Restricted For:	
Capital Projects	65,459
Budget Stabilization	22,817
Federal Programs	8,981
Other Purposes	15,822
Unrestricted (Deficit)	<u>(1,039,801)</u>
<i>Total Net Assets</i>	<u><u>\$800,359</u></u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$297,644	\$0	\$14,797	(\$282,847)
Special	11,450	0	11,286	(164)
Vocational	3,908,659	239,106	547,867	(3,121,686)
Student Intervention Services	91,766	0	90,455	(1,311)
Support Services:				
Pupil	912,002	0	95,059	(816,943)
Instructional Staff	99,279	0	62,097	(37,182)
Board of Education	36,238	0	0	(36,238)
Administration	530,409	2,933	10,843	(516,633)
Fiscal	252,357	0	0	(252,357)
Operation and Maintenance of Plant	599,500	0	0	(599,500)
Central	183,552	0	2,314	(181,238)
Food Service Operations	204,578	33,968	154,729	(15,881)
Extracurricular Activities	29,850	13,743	0	(16,107)
<i>Total Governmental Activities</i>	<u>\$7,157,284</u>	<u>\$289,750</u>	<u>\$989,447</u>	<u>(5,878,087)</u>
General Revenues				
Property Taxes Levied for General Purposes				1,444,164
Grants and Entitlements not Restricted to Specific Programs				4,065,856
Investment Earnings				6,506
Miscellaneous				32,153
<i>Total General Revenues</i>				<u>5,548,679</u>
Change in Net Assets				(329,408)
<i>Net Assets Beginning of Year</i>				<u>1,129,767</u>
<i>Net Assets End of Year</i>				<u><u>\$800,359</u></u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$560,087	\$89,634	\$649,721
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	33,817	0	33,817
Receivables:			
Property Taxes	1,613,191	0	1,613,191
Intergovernmental	0	45,545	45,545
Interfund	2,285	0	2,285
Prepaid Items	27,468	0	27,468
Materials and Supplies Inventory	25,821	1,275	27,096
	<u>\$2,262,669</u>	<u>\$136,454</u>	<u>\$2,399,123</u>
<i>Total Assets</i>			
	<u>\$2,262,669</u>	<u>\$136,454</u>	<u>\$2,399,123</u>
Liabilities and Fund Balances			
Liabilities			
Accrued Wages and Benefits	\$639,879	\$41,106	\$680,985
Interfund Payable	0	2,285	2,285
Intergovernmental Payable	98,502	9,964	108,466
Deferred Revenue	1,506,515	7,324	1,513,839
	<u>2,244,896</u>	<u>60,679</u>	<u>2,305,575</u>
<i>Total Liabilities</i>			
	<u>2,244,896</u>	<u>60,679</u>	<u>2,305,575</u>
Fund Balances (Deficit)			
Reserved for Encumbrances	171,142	2,577	173,719
Reserved for Property Taxes	106,676	0	106,676
Reserved for Budget Stabilization	22,817	0	22,817
Reserved for Underground Storage Tank	11,000	0	11,000
Unreserved, Undesignated, Reported in:			
General Fund	(293,862)	0	(293,862)
Special Revenue Funds	0	7,739	7,739
Capital Projects Funds	0	65,459	65,459
	<u>17,773</u>	<u>75,775</u>	<u>93,548</u>
<i>Total Fund Balances</i>			
	<u>17,773</u>	<u>75,775</u>	<u>93,548</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,262,669</u>	<u>\$136,454</u>	<u>\$2,399,123</u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2010*

Total Governmental Fund Balances \$93,548

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 2,027,083

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

Grants	7,324	
Property Taxes	154,994	

Total 162,318

An internal service fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service fund are included in governmental activities in the statement of net assets. (31,500)

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

Compensated Absences	1,151,088	
Vocational School Building Assistance Loan	300,002	

Total (1,451,090)

Net Assets of Governmental Activities \$800,359

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,474,767	\$0	\$1,474,767
Intergovernmental	4,613,656	447,525	5,061,181
Interest	3,731	0	3,731
Tuition and Fees	218,738	0	218,738
Rent	12,000	0	12,000
Extracurricular Activities	2,933	13,743	16,676
Charges for Services	8,368	33,968	42,336
Miscellaneous	32,153	0	32,153
<i>Total Revenues</i>	<u>6,366,346</u>	<u>495,236</u>	<u>6,861,582</u>
Expenditures			
Current:			
Instruction:			
Regular	267,485	15,011	282,496
Special	0	11,450	11,450
Vocational	3,770,433	68	3,770,501
Student Intervention Services	0	91,766	91,766
Support Services:			
Pupil	790,842	96,436	887,278
Instructional Staff	11,385	85,670	97,055
Board of Education	36,069	0	36,069
Administration	509,300	11,000	520,300
Fiscal	269,054	0	269,054
Operation and Maintenance of Plant	585,910	0	585,910
Central	173,979	9,573	183,552
Food Service Operations	0	202,277	202,277
Extracurricular Activities	18,343	10,557	28,900
Capital Outlay	0	59,361	59,361
Debt Service:			
Principal Retirement	33,333	0	33,333
<i>Total Expenditures</i>	<u>6,466,133</u>	<u>593,169</u>	<u>7,059,302</u>
<i>Excess of Revenues Under Expenditures</i>	(99,787)	(97,933)	(197,720)
Other Financing Sources			
Sale of Capital Assets	7,440	0	7,440
<i>Net Change in Fund Balances</i>	(92,347)	(97,933)	(190,280)
<i>Fund Balances Beginning of Year</i>	<u>110,120</u>	<u>173,708</u>	<u>283,828</u>
<i>Fund Balances End of Year</i>	<u><u>\$17,773</u></u>	<u><u>\$75,775</u></u>	<u><u>\$93,548</u></u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$190,280)

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

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

Capital Asset Additions	81,897	
Current Year Depreciation	<u>(132,692)</u>	
Total		(50,795)

Capital assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities		(7,643)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Grants	(5,878)	
Property Taxes	<u>(30,603)</u>	
Total		(36,481)

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities		33,333
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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.		
Compensated Absences Payable		96,357

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 expenses of the internal service fund is allocated among governmental activities.		<u>(173,899)</u>
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<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$329,408)</u></u>
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See accompanying notes to the basic financial statements

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,473,000	\$1,473,886	\$1,472,248	(\$1,638)
Intergovernmental	4,722,000	4,619,905	4,613,656	(6,249)
Interest	12,090	8,990	8,989	(1)
Tuition and Fees	102,000	220,940	218,738	(2,202)
Rent	12,000	12,000	12,000	0
Extracurricular Activities	4,500	3,500	2,933	(567)
Charges for Services	13,300	8,300	8,368	68
Miscellaneous	12,000	29,400	32,153	2,753
<i>Total Revenues</i>	<u>6,350,890</u>	<u>6,376,921</u>	<u>6,369,085</u>	<u>(7,836)</u>
Expenditures				
Current:				
Instruction:				
Regular	268,888	269,470	259,356	10,114
Vocational	3,797,070	3,913,968	3,871,561	42,407
Support Services:				
Pupils	898,598	828,716	772,445	56,271
Instructional Staff	15,000	11,385	11,385	0
Board of Education	46,559	47,604	39,408	8,196
Administration	607,370	578,834	532,925	45,909
Fiscal	282,867	299,538	287,960	11,578
Operation and Maintenance of Plant	794,050	671,739	617,490	54,249
Central	164,110	180,461	181,223	(762)
Operation of Non-Instructional Services	1,000	1,000	0	1,000
Extracurricular Activities	19,436	20,833	18,718	2,115
Debt Service:				
Principal Retirement	33,333	33,333	33,333	0
<i>Total Expenditures</i>	<u>6,928,281</u>	<u>6,856,881</u>	<u>6,625,804</u>	<u>231,077</u>
Excess of Revenues Under Expenditures	<u>(577,391)</u>	<u>(479,960)</u>	<u>(256,719)</u>	<u>223,241</u>
Other Financing Sources				
Sale of Capital Assets	6,000	8,000	7,440	(560)
Advances In	65,000	40,000	40,000	0
Total Other Financing Sources	<u>71,000</u>	<u>48,000</u>	<u>47,440</u>	<u>(560)</u>
<i>Net Change in Fund Balance</i>	<u>(506,391)</u>	<u>(431,960)</u>	<u>(209,279)</u>	<u>222,681</u>
<i>Fund Balance Beginning of Year</i>	563,211	563,211	563,211	0
Prior Year Encumbrances Appropriated	<u>70,385</u>	<u>70,385</u>	<u>70,385</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$127,205</u>	<u>\$201,636</u>	<u>\$424,317</u>	<u>\$222,681</u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2010

	<u>Governmental Activity Internal Service Fund</u>
Current Assets:	
Cash and Cash Equivalents with Fiscal Agents	\$47,729
Current Liabilities	
Claims Payable	<u>79,229</u>
Net Assets	
Unrestricted (31,500)	<u> </u>
<i>Total Net Assets</i>	<u><u>(\$31,500)</u></u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activity Internal Service Fund
Operating Revenues	
Charges for Services	\$910,211
Other	17,370
	927,581
<i>Total Operating Revenues</i>	<i>927,581</i>
Operating Expenses	
Purchased Services	239,641
Claims	863,364
Other	1,250
	1,104,255
<i>Total Operating Expenses</i>	<i>1,104,255</i>
<i>Operating Loss</i>	<i>(176,674)</i>
Non-Operating Revenues	
Interest	2,775
	2,775
<i>Change in Net Assets</i>	<i>(173,899)</i>
<i>Net Assets Beginning of Year</i>	<i>142,399</i>
	142,399
<i>Net Assets (Deficit) End of Year</i>	<i>(\$31,500)</i>
	(\$31,500)

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$910,211
Cash Payments for Goods and Services	(239,641)
Cash Payments for Claims	(850,737)
Other Operating Expenses	(1,250)
Other Operating Revenues	17,370
	(164,047)
<i>Net Cash Used in Operating Activities</i>	(164,047)
Cash Flows from Investing Activities	
Interest	2,775
	2,775
<i>Net Cash Provided by Investing Activities</i>	2,775
<i>Net Decrease in Cash and Cash Equivalents</i>	(161,272)
<i>Cash and Cash Equivalents Beginning of Year</i>	209,001
<i>Cash and Cash Equivalents End of Year</i>	\$47,729
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	(\$176,674)
Increase in Claims Payable	12,627
	(164,047)
<i>Net Cash Used in Operating Activities</i>	(164,047)

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$17,734	\$68,038
<i>Total Assets</i>	17,734	\$68,038
Liabilities		
Due to Students	0	\$68,038
<i>Total Liabilities</i>	0	\$68,038
Net Assets		
Held in Trust for Scholarships	17,734	
<i>Total Net Assets</i>	\$17,734	

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust Fund
Additions	
Interest	\$141
Contributions and Donations	9,385
Total Additions	9,526
Deductions	
Scholarships Awarded	12,307
<i>Change in Net Assets</i>	(2,781)
<i>Net Assets Beginning of Year</i>	20,515
<i>Net Assets End of Year</i>	\$17,734

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven members, one or two representatives from the eight participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District exposes students to job training leading to employment upon graduation from high school.

The School District was formed in 1967 and was opened for instruction in 1971. It is staffed by 21 classified employees and 61 certificated employees to provide services to Belmont, Harrison, Jefferson, and Carroll County juniors and seniors. For fiscal year 2010, the average daily membership was 522.

Reporting Entity:

Since the School District does not have a separately elected governing board and does not meet the definition of a component unit, it is classified as a stand-alone government under the provisions of Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity."

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), and the Educational Regional Service System Region 12 (ERSS), jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, insurance purchasing pools, and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 15 and 16.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Belmont-Harrison Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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

A. Basis of Presentation

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

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has a private-purpose trust 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 fund accounts for student activities.

C. Measurement Focus

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

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

D. Basis of Accounting

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

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

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

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

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

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

E. 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 has cash with a fiscal agent held separate from the School District’s central bank account. This account is maintained by the District’s self-insurance third party administrator and is presented in the statement of net assets as “cash and cash equivalents with fiscal agents”.

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$3,731, which includes \$1,130 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 cash equivalents.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include amounts required by State Statute to be set-aside to create a reserve for budget stabilization and for restricted cash related to the underground storage tank. See Note 17 for additional information regarding set-asides.

G. Prepaid Items

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

H. Inventory

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

I. Capital Assets

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

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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 back trending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	20 Years
Buildings and Improvements	10-50 Years
Furniture and Equipment	5-20 Years
Vehicles	10 Years

J. Interfund Balances

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

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

current year. Long-term notes are recognized as a liability on the governmental fund financial statements when due.

M. Interfund Activity

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

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization and cash held as required for the underground storage tank deductibles.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Net Assets

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

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

P. 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 good or service that is the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Q. Extraordinary and Special Items

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

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Budgetary Data

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

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

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

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District's financial statements.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

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

NOTE 4 - 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 Balances - Budget (Non-GAAP Basis) and Actual General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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	(\$92,347)
Revenue Accruals	2,739
Advance In	40,000
Expenditure Accruals	12,201
Encumbrances	<u>(171,872)</u>
Budget Basis	<u><u>(\$209,279)</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

At June 30, 2010, the School District's internal service fund had a balance of \$47,729 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (See Note 16). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$230,819 of the School District's bank balance of \$847,034 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2010, the School District had an investment in Star Ohio. The fair value of Star Ohio was \$5,454, and the investment has an average maturity of 56.0 days.

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. 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.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Credit Risk. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no policy that addresses credit risk.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

The School District receives property taxes from Belmont, Harrison, Jefferson, and Carroll Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2010 was \$106,676 in the General Fund. The amount available as an advance at June 30, 2009, was \$104,157 in the General Fund.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 891,269,360	93.41%	\$896,153,090	93.12%
Public Utility Personal	62,925,980	6.59%	66,177,620	6.88%
	\$954,195,340	100.00%	\$962,330,710	100.00%
Tax Rate per \$1,000 of assessed valuation		\$1.45		\$1.45

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$154,994 may not be collected within in one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	Amount
Title IIA	\$31,521
REAP Grant	14,024
	\$45,545

NOTE 8 - INTERFUND BALANCES

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

<u>Interfund Payable</u>	Interfund Receivable
	General Fund
Other Governmental Funds	\$2,285

Actual cash deficit balances in the Miscellaneous Federal Grants Fund were covered by a loan from the General Fund to support the program until the grant monies are received.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 9 - CAPITAL ASSETS

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

	Balance			Balance
	6/30/09	Additions	Deletions	6/30/10
Nondepreciable Capital Assets:				
Land	\$1,090,229	\$0	\$0	\$1,090,229
Depreciable Capital Assets:				
Land Improvements	97,724	0	0	97,724
Buildings and Improvements	4,407,136	59,361	0	4,466,497
Furniture and Equipment	1,446,715	22,536	(35,373)	1,433,878
Vehicles	146,759	0	0	146,759
Total Depreciable Capital Assets	6,098,334	81,897	(35,373)	6,144,858
Accumulated Depreciation:				
Land Improvements	(94,592)	(303)	0	(94,895)
Buildings and Improvements	(3,895,372)	(28,868)	0	(3,924,240)
Furniture and Equipment	(1,029,259)	(91,364)	27,730	(1,092,893)
Vehicles	(83,819)	(12,157)	0	(95,976)
Total Accumulated Depreciation	(5,103,042)	(132,692)	27,730	(5,208,004)
Total Depreciable Capital Assets, Net	995,292	(50,795)	(7,643)	936,854
Governmental Capital Assets, Net	\$2,085,521	(\$50,795)	(\$7,643)	\$2,027,083

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Vocational	\$118,260
Support Services:	
Pupils	748
Instructional Staff	2,224
Administration	2,162
Fiscal	289
Maintenance	7,776
Food Service Operations	1,233
Total	\$132,692

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

A. Property and Fleet Insurance

During fiscal year 2010 the School District contracted with Ohio School Plan for property, commercial crime, and fleet insurance. Coverage provided follows:

Property:

Building and Contents - replacement cost (\$5,000 Deductible)	\$24,706,576
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Commercial Auto Coverage:

Auto Liability-Combined Single Limit	3,000,000
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Uninsured Motorists	1,000,000
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Medical Payments	5,000
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Comprehensive	1,000 deductible
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Collision	1,000 deductible
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Commercial Crime:

Employee Theft - Per Employee (\$1,000 Deductible)	100,000
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Forgery or Alteration - Per Occurance (\$1,000 Deductible)	100,000
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Inside / Outside the Premises - Theft (\$1,000 Deductible)	25,000
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B. Liability Insurance

The District's liability insurance policy is with Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium amount to the OSP (See Note 16). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Educational General Liability:

Bodily Injury and Property Damage - Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense	\$3,000,000
Personal and Advertising Injury - Each Offense Limit	3,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products-Completed Operations Aggregate Limit	3,000,000

Employers Liability - Stop Gap - Occurrence:

Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000

Employee Benefits Liability - Claims Made:

Each Offense Limit	3,000,000
Aggregate Limit	5,000,000

Educational Legal Liability - Claims Made:

Errors and Omissions Injury Limit (\$2,500 Deductible)	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit (\$2,500 Deductible)	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000

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.

C. Worker's Compensation

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). 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 GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRPs selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

D. Employee Benefits

Medical/surgical, prescription drugs, and dental insurance are offered to employees through a Self-Insurance and Internal Service Fund. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

Employees have a choice to participate in either a traditional plan option or a preferred provider plan option through the self-insured program with the Health Plan acting as the third-party administrator for both options. The Board's share of the premiums for the traditional plan coverage is \$1,000.00 for family

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

coverage per month and \$380.68 for single coverage per month, or \$1,000 for family coverage per month and \$421.52 for single coverage per month for the preferred provider plan per month. The premium is paid from the fund that pays the salary of the covered employee. Premiums for the dental coverage are \$86.22 per month for family and single coverage and are 100 percent covered by the Board.

The claims liability of \$79,229 reported in the Internal Service Fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2009	\$37,112	660,210	630,720	\$66,602
2010	66,602	863,364	850,737	79,229

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.74 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$54,392, \$45,034, and \$42,064 respectively; 97.32 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

B. State Teachers Retirement System

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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$442,535, \$450,740 and \$428,996, respectively; 68.69 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$66 made by the School District and \$7,029 made by the plan members.

C. Social Security System

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .50 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008, were \$2,135, \$20,610 and \$19,195 respectively; 97.32 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,245, \$3,716 and \$3,031, respectively; 97.32 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

June 30, 2010, 2009, and 2008 were \$29,440, \$32,274 and \$30,622 respectively; 68.69 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-half days per month. Sick leave may be accumulated up to a maximum of 300 days for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit.

B. Insurance Benefits

Life insurance through Met Life, in varying amounts, as well as vision coverage through Vision Service Plan is 100 percent Board covered at premiums of \$8.50 for all employees and \$12.49, single and \$27.85, family, respectively per month.

NOTE 14 - LONG - TERM OBLIGATIONS

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

	Amounts				
	Outstanding			Outstanding	Due Within
	6/30/09	Additions	Reductions	6/30/10	One Year
2004 Vocational School Building Assistance Loan - \$500,000 @ 0%	\$333,335	\$0	\$33,333	\$300,002	\$33,333
Compensated Absences	1,247,445	135,374	231,731	1,151,088	60,890
Total Governmental Activities	\$1,580,780	\$135,374	\$265,064	\$1,451,090	\$94,223

Compensated absences will be paid from the General Fund and Food Service Special Revenue Fund.

In June, 2004, the School District received an interest-free loan through the Ohio Department of Education's Vocational School Building Assistance Loan Program. The loan was issued for the replacement of an existing roof on the Belmont Career Center. The loan was issued for a fifteen year period with final maturity during fiscal year 2019. The loan will be repaid from General Fund receipts.

Principal requirements to retire the vocational school building assistance loan outstanding at June 30, 2010 are as follows:

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Fiscal Year Ending June 30	Principal
2011	\$33,333
2012	33,333
2013	33,333
2014	33,333
2015	33,334
2016-2019	<u>133,336</u>
Total	<u><u>\$300,002</u></u>

The School District's overall legal debt margin was \$86,046,706, with an unvoted debt margin of \$959,408, at June 30, 2010.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2010, the total amount paid to OME-RESA from the School District was \$59,583 for cooperative gas purchasing services and \$17,613 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. Effective July 1, 2010, the information technology portion of the OME-RESA consortium was dissolved. See Subsequent Event Note 19 for further details.

B. Coalition of Rural and Appalachian Schools (CORAS)

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools (CORSA) is a jointly governed organization including over 100 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 Council provides various in-service for school district administrative personnel; gathers of 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 Council is not dependent on the continued participation of the School

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2010.

C. Educational Regional Service System Region 12 (ERSS)

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

NOTE 16 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. At June 30, 2010, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2009	\$0	\$0	\$22,817
Current Year Set-aside Requirement	92,870	92,870	0
Allowable Carry Forward from Fiscal Year 2009	(4,039,830)	0	0
Qualifying Disbursements	(393,486)	(92,870)	0
Totals	<u>(\$4,340,446)</u>	<u>\$0</u>	<u>\$22,817</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$4,340,446)</u>	<u>\$0</u>	<u>\$22,817</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>	<u>\$22,817</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be carried forward to reduce the future year requirements. The total reserve balance for the three set-asides at the end of the fiscal year was \$22,817.

NOTE 18 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

The School District is currently under no litigation.

NOTE 19 – SUBSEQUENT EVENTS

A. Reduction in Force

At the May 17 and the June 28, 2010 meetings the Board of Education adopted a resolution regarding reduction in force. Effective the beginning of fiscal year 2011, three positions will be abolished; the connections instructor, a math and science instructor and the hospitality and facility care instructor.

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

B. Ratification of Contracts

On September 20, 2010, the Board approved a labor agreement between Belmont-Harrison Vocational School District and the Belmont-Harrison Vocational School District Education Association and the Belmont-Harrison Vocational School District Support Staff Association for the period between July 1, 2010 through June 30, 2011.

C. Council of Governments

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

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Board of Education
Belmont-Harrison Joint Vocational School District
St. Clairsville, Ohio 43950

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Joint Vocational School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Belmont-Harrison Joint Vocational School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belmont-Harrison Joint Vocational School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*.

We noted certain matters that we reported to management of Belmont-Harrison Joint Vocational School District in a separate letter dated November 29, 2011

This report is intended for the information of the District's Board of Education, management, and the Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 29, 2011

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON
PROCEDURES**

Board of Education
Belmont-Harrison Joint Vocational School District
St. Clairsville, Ohio 43950

To The Board of Education

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.

Accordingly, we have performed the procedure enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Belmont-Harrison Joint Vocational School District has adopted its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agree-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 5, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Revised Code Section 3313.666 required the board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the attention and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 29, 2011



Dave Yost • Auditor of State

BELMONT HARRISON JOINT VOCATIONAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 19, 2012**