



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Belmont-Harrison Vocational School District
Belmont County
110 Fox-Shannon Place
St. Clairsville, Ohio 43950

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Vocational School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Vocational School District, Belmont County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, during the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

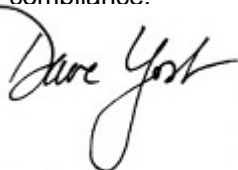
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 10, 2014

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

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, 2013. 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 2013 are as follows:

- In total, net position increased \$334,956.
- General revenues accounted for \$5,658,190 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$1,159,383 or 17 percent of total revenues of \$6,817,573.
- Total assets of governmental activities increased \$1,564,486. Current assets increased by \$893,957 primarily due to increases in cash and cash equivalents and property taxes receivable. Capital assets increased \$670,529 primarily due to construction in progress additions related to the School District's energy conservation project, which were offset by annual depreciation expense.
- The School District had \$6,482,617 in expenses related to governmental activities; only \$1,159,383 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues of \$5,658,190 were adequate to provide for these programs.
- Total governmental funds had \$6,854,346 in revenues and \$7,104,436 in expenditures. The net change in governmental fund balances, including other financing sources (uses) was an increase of \$470,966.

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

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

Reporting the School District as a Whole

Statement of Net Position 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 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting 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 position and changes in net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, 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 funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a 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 Position 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, 2013
Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

	Net Position		
	Governmental Activities		
	2013	2012	Change
Assets			
Current and Other Assets	\$4,067,901	\$3,173,944	\$893,957
Capital Assets	2,649,695	1,979,166	670,529
Total Assets	6,717,596	5,153,110	1,564,486
Liabilities			
Long-Term Liabilities	1,873,463	1,185,768	687,695
Other Liabilities	911,304	636,651	274,653
Total Liabilities	2,784,767	1,822,419	962,348
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	1,715,658	1,448,476	267,182
Net Position			
Net Investment in Capital Assets	1,907,733	1,745,830	161,903
Restricted	94,341	121,037	(26,696)
Unrestricted	215,097	15,348	199,749
Total Net Position	\$2,217,171	\$1,882,215	\$334,956

Total assets of governmental activities increased \$1,564,486. Current assets increased by \$893,957 primarily due to increases in cash and cash equivalents and property taxes receivable. The increase in cash and cash equivalents is due primarily to the School District's continuing efforts to monitor spending, as well as unspent debt proceeds as of June 30, 2013. Capital assets increased \$670,529 primarily due to construction in progress additions related to the School District's energy conservation project, which was offset by annual depreciation expense.

Total liabilities increased \$962,348 primarily due to increases in long-term liabilities, related to the School District issuing general obligation bonds to finance the energy conservation project in accordance with House Bill 264. The increase in other liabilities is primarily due to retainage payable related to the construction project, a slight increase in accrued wages and benefits, and liabilities related to the School District's termination of its self-insured health plan agreement (See Note 21 for further details).

Belmont-Harrison Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited*

Table 2 shows the changes in net position for fiscal year 2013 compared to fiscal year 2012.

**Table 2
Changes in Net Position**

	Governmental Activities		Change
	2013	2012	
Revenues			
Program Revenues			
Charges for Services	\$223,220	\$189,046	\$34,174
Operating Grants and Contributions	936,163	957,848	(21,685)
Total Program Revenues	1,159,383	1,146,894	12,489
General Revenues			
Property Taxes	1,648,106	1,566,103	82,003
Revenue in Lieu of Taxes	0	70,958	(70,958)
Grants and Entitlements not Restricted to Specific Programs	3,973,936	3,956,114	17,822
Investments	7,189	5,994	1,195
Other	28,959	18,209	10,750
Total General Revenues	5,658,190	5,617,378	40,812
Total Revenues	6,817,573	6,764,272	53,301
Program Expenses			
Instruction			
Regular	190,232	227,243	(37,011)
Vocational	3,914,497	3,252,019	662,478
Student Intervention Services	55,083	123,724	(68,641)
Support Services			
Pupil	287,529	687,576	(400,047)
Instructional Staff	71,893	61,623	10,270
Board of Education	25,104	32,419	(7,315)
Administration	655,347	520,500	134,847
Fiscal	304,239	225,554	78,685
Operation and Maintenance of Plant	577,002	511,852	65,150
Central	185,322	148,452	36,870
Food Service Operations	187,972	168,300	19,672
Extracurricular Activities	24,004	22,477	1,527
Interest and Fiscal Charges	4,393	0	4,393
Total Expenses	6,482,617	5,981,739	500,878
Increase in Net Position	334,956	782,533	(447,577)
Net Position Beginning of Year	1,882,215	1,099,682	782,533
Net Position End of Year	\$2,217,171	\$1,882,215	\$334,956

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

In 2013, 24 percent of the School District's revenues were from property taxes and 58 percent were from unrestricted grants and entitlements.

The School District will receive revenue in lieu of taxes which began in fiscal year 2012 related to a contractual agreement between Belmont County and FirstEnergy Generation Corporation. FirstEnergy ceased operations within the School District's taxing authority, and has contractually agreed to payments in order to mitigate the loss of tax revenue. See Note 8 for further details.

Instructional programs comprise approximately 64 percent of governmental program expenses, an increase of \$556,826 from fiscal year 2012. Overall, program expenses of the School District increased by \$500,878 primarily due to increasing costs of operation. The increase in vocational instruction corresponds to the reallocation of costs that in the prior year had been related to functions of regular instruction, student intervention services, and pupil support services, which were deleted from use in the Uniform School Accounting System for fiscal year 2013.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2013 as compared to 2012. 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	
	2013	2012	2013	2012
Instruction				
Regular	\$190,232	\$227,243	\$181,227	\$226,178
Vocational	3,914,497	3,252,019	3,179,699	2,563,402
Student Intervention Services	55,083	123,724	159	2,079
Support Services				
Pupil	287,529	687,576	181,776	624,888
Instructional Staff	71,893	61,623	17,345	8,929
Board of Education	25,104	32,419	25,104	32,419
Administration	655,347	520,500	645,614	510,763
Fiscal	304,239	225,554	304,239	225,554
Operation and Maintenance of Plant	577,002	511,852	577,002	511,852
Central	185,322	148,452	181,722	144,852
Food Service Operations	187,972	168,300	6,284	(31,227)
Extracurricular Activities	24,004	22,477	18,670	15,156
Interest and Fiscal Charges	4,393	0	4,393	0
Total Expenses	\$6,482,617	\$5,981,739	\$5,323,234	\$4,834,845

The dependence upon tax revenues and state subsidies for government activities is apparent as 82 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, 2013

Unaudited

The School District Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. The School District has one major fund, the General Fund. The General Fund had \$6,432,749 in revenues and \$6,101,220 in expenditures. Overall, including other financing sources (uses), the General Fund's balance increased \$322,355.

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 2013 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 revenues during the fiscal year. There were significant differences between budgeted and actual expenditures, as spending was less than budgeted in all categories, most notably vocational instruction expense.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013 the School District had \$2,649,695 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation.

See Note 10 for more detailed information of the School District's capital assets.

Debt

At June 30, 2013, the School District had \$914,201 outstanding in 2004 Vocational School Building Assistant Loan, and 2013 Energy Conservation and School Improvement general obligation bonds, including premium, and accretion of interest, with \$33,333 due within one year.

Belmont-Harrison Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 4
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	2013	2012
2004 Vocational School Building Assistance Loan	\$200,003	\$233,336
2013 Energy Conservation and School Improvement Bonds		
Term Bonds	680,000	0
Capital Appreciation Bonds	2,575	0
Accretion of Interest	558	0
Premium	31,065	0
Total Outstanding Debt	\$914,201	\$233,336

See Note 16 for more information regarding debt.

Economic Factors

The Belmont-Harrison Vocational School District relies heavily on State foundation. Despite the reliance on State foundation, and the various changes in funding models in recent years, the School District has seen little to no increase in its allocation of State funding.

Real Estate tax collections are a function of several variables including valuation, effective millage, delinquencies, and collection rate. The Belmont-Harrison Vocational School District's voted millage is currently 1.45 mills. Although, the School District did recognize an increase in real estate tax collections in fiscal year 2013, the overall increase to revenue was small. With little to no increases to overall revenue over the past several years and continued inflation, the School District must continue to explore ways to decrease expenditures 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.

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Belmont-Harrison Vocational School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,962,551
Accounts Receivable	41,000
Intergovernmental Receivable	31,503
Prepaid Items	39,675
Materials and Supplies Inventory	37,891
Property Taxes Receivable	1,922,531
Revenue in Lieu of Taxes	32,750
Non-Depreciable Capital Assets	1,663,914
Depreciable Capital Assets, Net	<u>985,781</u>
<i>Total Assets</i>	<u>6,717,596</u>
Liabilities	
Accounts Payable	4,514
Accrued Wages and Benefits Payable	502,606
Intergovernmental Payable	278,858
Accrued Interest Payable	567
Claims Payable	70,502
Retainage Payable	54,257
Long-Term Liabilities:	
Due Within One Year	92,480
Due In More Than One Year	<u>1,780,983</u>
<i>Total Liabilities</i>	<u>2,784,767</u>
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	<u>1,715,658</u>
Net Position	
Net Investment in Capital Assets	1,907,733
Restricted For:	
Capital Projects	66,119
Federal Programs	8,064
Food Service Operations	9,158
Other Purposes	11,000
Unrestricted	<u>215,097</u>
<i>Total Net Position</i>	<u><u>\$2,217,171</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, 2013

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			Governmental Activities
Instruction:			
Regular	\$190,232	\$0	\$9,005
Vocational	3,914,497	181,078	553,720
Student Intervention Services	55,083	0	54,924
Support Services:			
Pupil	287,529	0	105,753
Instructional Staff	71,893	0	54,548
Board of Education	25,104	0	0
Administration	655,347	0	9,733
Fiscal	304,239	0	0
Operation and Maintenance of Plant	577,002	0	0
Central	185,322	0	3,600
Food Service Operations	187,972	36,808	144,880
Extracurricular Activities	24,004	5,334	0
Interest and Fiscal Charges	4,393	0	0
<i>Total Governmental Activities</i>	<u>\$6,482,617</u>	<u>\$223,220</u>	<u>\$936,163</u>

General Revenues

Property Taxes Levied for General Purposes	1,648,106
Grants and Entitlements not Restricted to Specific Programs	3,973,936
Investment Earnings	7,189
Gain on Sale of Capital Assets	6,755
Miscellaneous	22,204

Total General Revenues 5,658,190

Change in Net Position 334,956

Net Position Beginning of Year 1,882,215

Net Position End of Year \$2,217,171

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District

*Balance Sheet
Governmental Funds
June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,644,972	\$252,322	\$1,897,294
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	11,000	54,257	65,257
Receivables:			
Property Taxes	1,922,531	0	1,922,531
Accounts	41,000	0	41,000
Intergovernmental	8,449	23,054	31,503
Revenue in Lieu of Taxes	32,750	0	32,750
Interfund	125,728	0	125,728
Prepaid Items	38,179	1,496	39,675
Materials and Supplies Inventory	37,196	695	37,891
<i>Total Assets</i>	<u>\$3,861,805</u>	<u>\$331,824</u>	<u>\$4,193,629</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$4,514	\$0	\$4,514
Accrued Wages and Benefits Payable	470,020	32,586	502,606
Intergovernmental Payable	269,834	9,024	278,858
Retainage Payable	0	54,257	54,257
<i>Total Liabilities</i>	<u>744,368</u>	<u>95,867</u>	<u>840,235</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	1,715,658	0	1,715,658
Unavailable Revenue	171,620	126	171,746
<i>Total Deferred Inflows of Resources</i>	<u>1,887,278</u>	<u>126</u>	<u>1,887,404</u>
Fund Balances			
Nonspendable:			
Materials and Supplies Inventory	37,196	695	37,891
Prepaid Items	38,179	1,496	39,675
Restricted for:			
Capital Projects	0	206,735	206,735
Food Service Operations	0	6,967	6,967
Federal Programs	0	7,938	7,938
Underground Storage Tank Premiums	11,000	0	11,000
Committed to Capital Projects	0	12,000	12,000
Assigned for Encumbrances	97,988	0	97,988
Unassigned	1,045,796	0	1,045,796
<i>Total Fund Balances</i>	<u>1,230,159</u>	<u>235,831</u>	<u>1,465,990</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$3,861,805</u>	<u>\$331,824</u>	<u>\$4,193,629</u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2013*

Total Governmental Fund Balances \$1,465,990

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 2,649,695

Other long-term assets are not available to pay for current
period expenditures and are therefore reported as deferred
inflows of resources in the funds.

Grants	126
Property Taxes	138,870
Revenue in Lieu of Taxes	32,750

Total 171,746

An internal service fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service fund are included in governmental activities in the statement of net position. (196,230)

In the statement of activities, interest is accrued on outstanding bonds
and notes, whereas in governmental funds, an interest expenditure
is reported when due. (567)

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

Vocational School Building Assistance Loan	200,003
General Obligation Bonds	680,000
Capital Appreciation Bonds	2,575
Capital Appreciation Bonds Interest Accretion	558
Bond Premium	31,065
Compensated Absences	959,262

Total (1,873,463)

Net Position of Governmental Activities \$2,217,171

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, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,675,428	\$0	\$1,675,428
Intergovernmental	4,525,844	384,129	4,909,973
Interest	6,486	660	7,146
Tuition and Fees	105,877	0	105,877
Rent	12,000	0	12,000
Extracurricular Activities	5,334	0	5,334
Revenue in Lieu of Taxes	16,375	0	16,375
Charges for Services	63,201	36,808	100,009
Miscellaneous	22,204	0	22,204
<i>Total Revenues</i>	<u>6,432,749</u>	<u>421,597</u>	<u>6,854,346</u>
Expenditures			
Current:			
Instruction:			
Regular	191,636	8,697	200,333
Vocational	3,992,596	1,750	3,994,346
Student Intervention Services	1,228	53,046	54,274
Support Services:			
Pupil	251,731	102,136	353,867
Instructional Staff	15,347	52,682	68,029
Board of Education	25,104	0	25,104
Administration	577,358	9,400	586,758
Fiscal	269,906	0	269,906
Operation and Maintenance of Plant	537,008	590	537,598
Central	181,722	3,600	185,322
Food Service Operations	0	193,701	193,701
Extracurricular Activities	24,004	0	24,004
Capital Outlay	247	546,281	546,528
Debt Service:			
Principal Retirement	33,333	0	33,333
Interest and Fiscal Charges	0	3,929	3,929
Issuance Costs	0	27,404	27,404
<i>Total Expenditures</i>	<u>6,101,220</u>	<u>1,003,216</u>	<u>7,104,436</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	331,529	(581,619)	(250,090)
Other Financing Sources (Uses)			
General Obligation Bonds Issued	0	682,575	682,575
Premium on Issuance of General Obligation Bonds	0	31,726	31,726
Sale of Capital Assets	6,755	0	6,755
Transfers In	0	15,929	15,929
Transfers Out	(15,929)	0	(15,929)
Total Other Financing Sources (Uses)	<u>(9,174)</u>	<u>730,230</u>	<u>721,056</u>
<i>Net Change in Fund Balances</i>	322,355	148,611	470,966
<i>Fund Balances Beginning of Year</i>	<u>907,804</u>	<u>87,220</u>	<u>995,024</u>
<i>Fund Balances End of Year</i>	<u>\$1,230,159</u>	<u>\$235,831</u>	<u>\$1,465,990</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, 2013*

Net Change in Fund Balances - Total Governmental Funds \$470,966

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

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

Capital Asset Additions	788,284	
Current Year Depreciation	(117,755)	
Total	670,529	670,529

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

Grants	126	
Property Taxes	(27,322)	
Revenue in Lieu of Taxes	(16,375)	
Total	(43,571)	(43,571)

Issuance of Debt is reported as other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net position.

General Obligation Bonds	(680,000)	
Capital Appreciation Bonds	(2,575)	
Total	(682,575)	(682,575)

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

Accrued Interest	(567)	
Accretion of Interest on Capital Appreciation Bonds	(558)	
Total	(1,125)	(1,125)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the statement of activities.

Bond Premiums Issued	(31,726)	
Amortization of Bond Premium	661	
Total	(31,065)	(31,065)

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

33,333

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

(6,830)

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.

(74,706)

Change in Net Position of Governmental Activities

\$334,956

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,593,000	\$1,689,206	\$1,690,219	\$1,013
Intergovernmental	4,498,790	4,517,406	4,517,395	(11)
Interest	5,025	7,225	6,486	(739)
Tuition and Fees	50,015	105,905	105,877	(28)
Rent	12,000	12,000	12,000	0
Extracurricular Activities	7,650	5,750	5,334	(416)
Revenue in Lieu of Taxes	16,375	16,376	16,375	(1)
Charges for Services	9,400	65,200	22,201	(42,999)
Miscellaneous	14,900	22,247	22,204	(43)
<i>Total Revenues</i>	<u>6,207,155</u>	<u>6,441,315</u>	<u>6,398,091</u>	<u>(43,224)</u>
Expenditures				
Current:				
Instruction:				
Regular	200,035	207,228	193,482	13,746
Vocational	3,255,086	4,142,269	3,877,059	265,210
Student Intervention Services	1,267	1,230	1,228	2
Support Services:				
Pupil	259,978	246,938	239,610	7,328
Instructional Staff	19,605	14,163	13,827	336
Board of Education	44,685	43,743	30,895	12,848
Administration	619,618	616,202	559,696	56,506
Fiscal	277,537	275,540	262,980	12,560
Operation and Maintenance of Plant	1,475,542	640,078	581,889	58,189
Central	180,445	213,235	184,827	28,408
Extracurricular Activities	34,977	34,056	24,714	9,342
Capital Outlay	22,826	22,818	247	22,571
Debt Service:				
Principal Retirement	33,334	33,334	33,333	1
<i>Total Expenditures</i>	<u>6,424,935</u>	<u>6,490,834</u>	<u>6,003,787</u>	<u>487,047</u>
Excess of Revenues Over (Under) Expenditures	(217,780)	(49,519)	394,304	443,823
Other Financing Sources (Uses)				
Sale of Capital Assets	4,000	6,760	6,755	(5)
Transfers Out	0	(15,921)	(15,929)	(8)
Total Other Financing Sources (Uses)	<u>4,000</u>	<u>(9,161)</u>	<u>(9,174)</u>	<u>(13)</u>
<i>Net Change in Fund Balance</i>	(213,780)	(58,680)	385,130	443,810
<i>Fund Balance Beginning of Year</i>	1,064,091	1,064,091	1,064,091	0
Prior Year Encumbrances Appropriated	<u>233,964</u>	<u>233,964</u>	<u>233,964</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,084,275</u>	<u>\$1,239,375</u>	<u>\$1,683,185</u>	<u>\$443,810</u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2013

	Governmental Activity
	Internal Service Fund
Current Assets:	
Cash and Cash Equivalents with Fiscal Agents	\$0
Current Liabilities	
Interfund Payable	125,728
Claims Payable	70,502
<i>Total Current Liabilities</i>	196,230
Net Assets	
Unrestricted (Deficit)	(196,230)
<i>Total Net Position (Deficit)</i>	(\$196,230)

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$830,974
Other	18,716
	849,690
 Operating Expenses	
Purchased Services	250,140
Claims	674,299
	924,439
 <i>Operating Loss</i>	 (74,749)
 Non-Operating Revenues	
Interest	43
	43
 <i>Change in Net Position</i>	 (74,706)
 <i>Net Position (Deficit) Beginning of Year</i>	 (121,524)
 <i>Net Position (Deficit) End of Year</i>	 (196,230)

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, 2013

	<u>Governmental</u> <u>Activity</u> <u>Internal Service</u> <u>Fund</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$830,974
Cash Payments for Goods and Services	(250,140)
Cash Payments for Claims	(676,082)
Other Operating Revenues	18,716
	<u>18,716</u>
<i>Net Cash Used in Operating Activities</i>	<u>(76,532)</u>
Cash Flows from Noncapital Financing Activities	
Interfund Loan	125,728
Repayment of Interfund Loan	(49,239)
	<u>(49,239)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>76,489</u>
Cash Flows from Investing Activities	
Interest	43
	<u>43</u>
<i>Net Cash Provided by Investing Activities</i>	<u>43</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$0</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	(\$74,749)
Increase in Claims Payable	(1,783)
	<u>(1,783)</u>
<i>Net Cash Used in Operating Activities</i>	<u><u>(\$76,532)</u></u>
See accompanying notes to the basic financial statements	

Belmont-Harrison Vocational School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	<u>Private Purpose Trust Fund</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$23,351</u>	<u>\$83,724</u>
<i>Total Assets</i>	<u>23,351</u>	<u><u>\$83,724</u></u>
Liabilities		
Due to Students	<u>0</u>	<u>\$83,724</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$83,724</u></u>
Net Assets		
Held in Trust for Scholarships	<u>23,351</u>	
<i>Total Net Position</i>	<u><u>\$23,351</u></u>	

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Fund
Additions	
Interest	\$58
Contributions and Donations	12,131
Miscellaneous	200
Total Additions	12,389
Deductions	
Scholarships Awarded	3,561
<i>Change in Net Position</i>	8,828
<i>Net Position Beginning of Year</i>	14,523
<i>Net Position End of Year</i>	\$23,351

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, 2013*

NOTE 1 – DESCRIPTION OF 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 19 classified employees and 57 certificated employees to provide services to Belmont, Harrison, Jefferson, and Carroll County juniors and seniors. For fiscal year 2013, the average daily membership was 435.

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," and Governmental Accounting Standards Board Statement 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34."

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 is involved with six organizations: three jointly governed organizations, two insurance purchasing pools and one risk sharing, claims servicing, and insurance purchasing pool. These organizations include Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Coalition of Rural and Appalachian Schools (CORAS), the Educational Regional Service System Region 12 (ERSS), the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) the Ohio School Plan (OSP), the Jefferson Health Plan Self-Insurance Plan, formerly known as the Ohio-Mid Eastern Regional Educational Service Agency Self-Insurance Plan. These organizations are presented in Notes 17 and 18.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

and financial reporting principles. The most 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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 position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has a private-purpose trust 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 Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position.

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

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants, entitlements, revenue in lieu of taxes, and donations are 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 Outflows/Inflows of Resources In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the School District, no deferred outflows of resources are reported.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, revenue in lieu of taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

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

E. Cash and Cash Equivalents

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

The School District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2013. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold at June 30, 2013.

Following Ohio statues, 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 2013 amounted to \$6,486, which includes \$1,115 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 to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

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 governmental funds include restricted cash for insurance premiums related to the underground storage tank, and amounts withheld on construction contracts until the successful completion of the contract.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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.

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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 Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by 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 and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	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 Position.

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.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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

M. Bond Premiums and Bond Issuance Costs

On the government-wide financial statements bond premiums are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. On the governmental fund financial statements bond premiums, and bond issuance costs are recognized in the period in which the bonds are issued. Bond issuance costs are expensed in the period in which the bonds are issued.

N. Interfund Activity

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

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

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

O. Fund Balance

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

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

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

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

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

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

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

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

P. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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 position restricted for other purposes include local resources to be used for insurance premiums related to the Underground Storage Tanks.

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

Q. 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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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.

R. 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.

S. 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.

T. 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

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and

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Liabilities,” and Statement No. 66 “Technical Corrections—2012 an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. 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 restricted, committed, or unassigned fund balance (GAAP basis).

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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	\$322,355
Revenue Accruals	(34,658)
Expenditure Accruals	195,948
Encumbrances	<u>(98,515)</u>
Budget Basis	<u><u>\$385,130</u></u>

NOTE 5 – FUND DEFICIT

At June 30, 2013, the following fund had deficit net position:

	<u>Deficit Net Position</u>
Self-Insurance Internal Service Fund	<u><u>\$196,230</u></u>

The deficit in the Self- insurance Internal Service Fund is due to an actual cash deficit of \$123,577 in the fund, contrary to Section 5705.10(H) of the Ohio Revised Code, as well as the recognition of claims payable. The cash deficit is reported as an interfund payable to the General Fund. The School District is currently working with the plan administrators to address the deficit.

NOTE 6 – 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;

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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;
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 (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2013, the School District's Internal Service Fund had a deficit balance of \$125,728 with Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool (See Note 18). The deficit balance is reported as an Interfund Balance (See Note 9). 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 report by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the District's bank balance was \$2,608,591. Of the bank balance \$721,051 was covered by Federal depository insurance and the remaining balance of \$1,887,540 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Investments

As of June 30, 2013, the School District had an investment in STAROhio. The fair value of STAROhio was \$1,465, and the investment has an average maturity of 57.5 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, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

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

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

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont, Harrison, Carroll and Jefferson 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 Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013 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

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes not levied to finance current year operations.

The amount available as an advance at June 30, 2013 was \$68,003 in the General Fund. The amount available as an advance at June 30, 2012 was \$82,794 in the General Fund.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 First		2013 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$918,474,970	90.38%	\$993,324,950	92.10%
Public Utility Personal	97,724,590	9.62%	85,258,480	7.90%
Total Assessed Value	<u>\$1,016,199,560</u>	<u>100.00%</u>	<u>\$1,078,583,430</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$1.45		\$1.45

NOTE 8 – RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, revenue in lieu of taxes, interfund, and intergovernmental grants, Bureau of Workers’ Compensation rebates, and accounts receivable. 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 \$138,870 may not be collected within in one year. All other receivables, with the exception of revenue in lieu of taxes, 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 Grant	\$11,218
Rural Education Achievement Program Grant	11,276
Bureau of Workers' Compensation Rebate	9,009
	<u>\$31,503</u>

On December 31, 2010 FirstEnergy Generation Corp (FirstEnergy) ceased operations of the R. E. Burger biomass plant located within the taxing authority of the School District. FirstEnergy, seeking to mitigate the tax revenue loss that the plant closure would have on the School District, entered into a personal property tax agreement with Belmont County on February 23, 2011. Under the agreement, FirstEnergy will pay a decreasing percentage of an established annual personal property tax of \$867,312 to Belmont County. The County will then distribute the payments accordingly to the School District and other government entities that would have received tax revenue from FirstEnergy. The agreement requires five annual payments. The first two annual payments have been received by the School District. Three annual payments remain, with the final payment being due on February 1, 2016. The total receivable is \$32,750, with \$16,375 that will not be collected within one year.

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A breakdown of the payments is as follows:

<u>Fiscal Year</u>	<u>Governmental Fund</u>
	<u>General Fund</u>
2014	16,375
2015	10,917
2016	5,458
	<u>\$32,750</u>

NOTE 9 – INTERFUND BALANCES

A. Interfund Balances

Interfund balances at June 30, 2013, consist of the following interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Self-Insurance Internal Service Fund	<u>\$125,728</u>

Actual cash deficit balances in the Self-Insurance Internal Service Fund were covered by the General Fund. Effective October 1, 2013, the School District is withdrawing from the Jefferson Health Plan Self-Insurance Plan effective October 1, 2013, and the General Fund will cover any remaining deficit cash balance (See Subsequent Event Note 21).

B. Transfers

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>
	<u>General Fund</u>
Other Governmental Funds	<u>\$15,929</u>

The transfers were used to move receipts from the General Fund to the Debt Service Fund for repayment of the scheduled vocational school building assistance loan debt service payments, and to move rent receipts from the General Fund to the Capital Projects fund to be used for capital purposes.

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

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	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Nondepreciable Capital Assets:				
Land	\$1,090,229	\$0	\$0	\$1,090,229
Construction in Progress	0	573,685	0	573,685
Total Nondepreciable Capital Assets	\$1,090,229	\$573,685	\$0	\$1,663,914
Depreciable Capital Assets:				
Land Improvements	97,724	0	0	97,724
Buildings and Improvements	4,466,497	28,620	0	4,495,117
Furniture and Equipment	1,485,477	177,482	(115,840)	1,547,119
Vehicles	158,184	8,497	0	166,681
Total Depreciable Capital Assets	6,207,882	214,599	(115,840)	6,306,641
Accumulated Depreciation:				
Land Improvements	(95,495)	(300)	0	(95,795)
Buildings and Improvements	(3,985,623)	(30,496)	0	(4,016,119)
Furniture and Equipment	(1,118,695)	(77,328)	115,840	(1,080,183)
Vehicles	(119,132)	(9,631)	0	(128,763)
Total Accumulated Depreciation	(5,318,945)	(117,755)	115,840	(5,320,860)
Total Depreciable Capital Assets, Net	888,937	96,844	0	985,781
Governmental Capital Assets, Net	\$1,979,166	\$670,529	\$0	\$2,649,695

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Vocational	\$107,316
Support Services:	
Administration	2,227
Fiscal	305
Maintenance	6,241
Food Service Operations	1,666
Total	<u><u>\$117,755</u></u>

NOTE 11 – RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 18). The Belmont-Harrison Vocational School District contracted with the Ohio School Plan for liability, property, and fleet insurance.

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<i>Property:</i>	
Building and Contents - replacement cost (\$1,000 Deductible)	\$27,485,424
Flood Coverage (\$25,000 Deductible)	5,000,000
<i>Commercial Auto Coverage:</i>	
Auto Liability (\$1,000 Deductible)	3,000,000
Uninsured Motorists	1,000,000
<i>Educational General Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
Personal and Advertising Injury Limit - Each Occurrence	3,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Employers' Liability:</i>	
Each Occurrence	3,000,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Crime Coverage:</i>	
Employee Theft, Forgery or Alteration (\$1,000 Deductible)	100,000

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

B. Worker's Compensation

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRPs selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Benefits

Medical/surgical, prescription drug, life and dental insurance are offered to employees through a Self-Insurance Internal Service Fund. The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. There is a \$250 annual deductible per single or \$500 annual deductible per family for this portion of the coverage. The Board's share of the premiums for this coverage is \$466.90 for individual coverage per month and \$1,314.74 for family coverage per month which represents 80 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. Prescription drug coverage is included with the medical/surgical premium. The Board's share of the

Belmont-Harrison Vocational School District

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premiums for the dental coverage is \$41.42 for individual coverage per month and \$96.79 for family coverage per month which represents 90 percent of the total premium. See Subsequent Event Note 21 for further details regarding employee benefits.

The claims liability of \$70,502 reported in the Internal Service Fund at June 30, 2013 is based on an estimate calculated by averaging the past three fiscal year claims payable amounts 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
2012	\$71,023	\$582,204	\$580,942	\$72,285
2013	72,285	674,299	676,082	70,502

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$58,710, \$58,861, and \$65,974, respectively. For fiscal year 2013, 97.84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 system. 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 can be obtained by writing to STRS Ohio, 275 E. Broad

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$373,138 and \$5,532 for the fiscal year ended June 30, 2013, \$409,040 and \$5,301 for the fiscal year ended June 30, 2012, and \$420,922 and \$4,252 for the fiscal year ended June 30, 2011. For fiscal year 2013, 71.96 percent has been contributed for the DB plan and 71.96 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$115 made by the School District and \$82 made by the plan members. In addition, member contributions of \$3,952 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

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, 2013, four 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, 2013

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For fiscal year 2013, 0.16 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 fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$9,504 in surcharge.

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, 2013, 2012, and 2011 were \$720, \$2,364, and \$7,988, respectively. For fiscal year 2013, 97.83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$3,329, \$3,476, and \$4,246 respectively. For fiscal year 2013, 97.84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$24,991, \$27,129, and \$30,898 respectively. For fiscal year 2013, 71.96 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

NOTE 14 – 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.

Full-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, provided in the amount of \$50,000 for all employees, is 100 percent Board covered at premiums of \$8.50 for all employees. The Board's share of vision insurance is \$11.24, single and \$25.07, family, respectively per month, which represents 90 percent of the total premium.

NOTE 15 – CONTRACTUAL COMMITMENTS

On February 18, 2013, the School District entered into an agreement with Constellation New Energy Inc., in the amount of \$682,575 for completion of a House Bill 264 Energy Conservation and School Improvement Project. Funding for the project consisted of revenue from the Energy Conservation and School Improvement Bonds. As of June 30, 2013 the District had the following contractual commitment:

<u>Contractor</u>	<u>Purchase Commitment</u>	<u>Amount Paid as of 6/30/13</u>	<u>Amount Remaining on Contract</u>
Constellation New Energy, Inc.	<u>\$682,575</u>	<u>\$492,024</u>	<u>\$190,551</u>

NOTE 16 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

	Outstanding 6/30/12	Additions	Reductions	Outstanding 6/30/13	Amounts Due Within One Year
Governmental Activities:					
2004 Vocational School Building					
Assistance Loan - \$500,000 @ 0%	\$233,336	\$0	\$33,333	\$200,003	\$33,333
2013 Energy Conservation and School Improvement Bonds					
Term Bonds \$680,000 @ 1.0% - 2.5%	0	680,000	0	680,000	0
Capital Appreciation Bonds \$2,575 @ 1.5%	0	2,575	0	2,575	0
Accretion of Interest \$48,288	0	558	0	558	0
Premium \$31,726	0	31,726	661	31,065	0
Total 2013 Energy Conservation and School Improvement Bonds	0	714,859	661	714,198	0
Compensated Absences	952,432	109,974	103,144	959,262	59,147
Total Governmental Activities	\$1,185,768	\$824,833	\$137,138	\$1,873,463	\$92,480

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, 2013 are as follows:

Fiscal Year Ending June 30	Principal
2014	\$33,333
2015	33,334
2016	33,334
2017	33,334
2018	33,334
2019	33,334
Total	\$200,003

2013 Energy Conservation and School Improvement Bonds – On February 12, 2013, Belmont-Harrison Vocational School District issued \$682,575 of general obligation bonds, which included capital appreciation bonds in the amount of \$2,575, in accordance with House Bill 264. The bonds were issued to finance an energy conservation project. The term bonds were issued at a 1.0 percent to 2.5 percent interest rate, for a period of fifteen years with a final maturity of December 1, 2028. The bonds were issued at a premium of \$31,726, which is being reported as an increase to bonds payable. This amount is being

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

amortized over the life of the bonds using the straight-line method. The amortization of premium for fiscal year 2013 is \$661.

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program. On December 13, 2012, Moody's Investor Service reviewed and assigned a rating of Aa2 to the Energy Conservation and School Improvement Bonds. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the Department of Education will make the sufficient payment.

The Term Bonds maturing on December 1, 2016 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the and in the respective principal amounts as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2014	\$35,000
2015	45,000

The remaining principal amount of such Term Bonds (\$45,000) will mature at stated maturity on December 1, 2016.

The Term Bonds maturing on December 1, 2020 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the and in the respective principal amounts as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2018	\$45,000
2019	45,000

The remaining principal amount of such Term Bonds (\$50,000) will mature at stated maturity on December 1, 2020.

The Term Bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the and in the respective principal amounts as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2021	\$50,000
2022	50,000

The remaining principal amount of such Term Bonds (\$50,000) will mature at stated maturity on December 1, 2023.

The Term Bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at the

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the and in the respective principal amounts as follows:

Redemption Date (December 1)	Principal Amount to be Redeemed
2024	\$50,000
2025	50,000
2026	55,000
2027	55,000

The remaining principal amount of such Term Bonds (\$55,000) will mature at stated maturity on December 1, 2028.

The capital appreciation bonds were sold at an original principal amount of \$2,575, with a maturity date of December 1, 2017. At maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$50,863. The accretion recorded for fiscal year 2013 is \$558 for a total bond liability of \$3,133. The accretion will continue to be recorded over the life of the bonds.

The principal and interest requirements to retire the remaining general obligation bonds for the Energy Conservation and School Improvement Bonds are as follows:

Fiscal Year Ending June 30	Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2014	\$0	\$10,416	\$0	\$0	\$0	\$10,416
2015	35,000	12,975	0	0	35,000	12,975
2016	45,000	12,625	0	0	45,000	12,625
2017	45,000	12,175	0	0	45,000	12,175
2018	0	5,863	2,575	48,288	2,575	54,151
2019 - 2023	240,000	51,400	0	0	240,000	51,400
2024 - 2028	260,000	26,500	0	0	260,000	26,500
2029	55,000	1,375	0	0	55,000	1,375
	<u>\$680,000</u>	<u>\$133,329</u>	<u>\$2,575</u>	<u>\$48,288</u>	<u>\$682,575</u>	<u>\$181,617</u>

The School District's overall legal debt margin was \$96,189,931, with an unvoted debt margin of \$1,078,583, at June 30, 2013.

Compensated absences will be paid from the General Fund.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council) - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation of the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2013, the total amount paid to OME-RESA from the School District was \$399 for cooperative gas purchasing service administrative fees, \$5,400 for technology services and \$10,949 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools (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 Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2013.

Educational Regional Service System Region 12 (ERSS) - 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 Advisory Council exercises total control over the operations of the System including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio 43701.

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

NOTE 18 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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. The School District's enrollment fee of \$515 for the policy year 2013 was paid to CompManagement, Inc.

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

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

NOTE 19 – SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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

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, 2013, none of the workers' compensation refunds continues to be set aside.

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

	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Restricted Balance as of June 30, 2012	\$0	\$22,817
Current Year Set-aside Requirement	78,780	0
Current Year Qualifying Expenditures	<u>(415,908)</u>	<u>(22,817)</u>
Totals	<u>(\$337,128)</u>	<u>\$0</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$0</u>	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2013	<u>\$0</u>	<u>\$0</u>

The School District had current year qualifying expenditures which reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years. The School District also had current year expenditures from debt proceeds in connection with HB 264 capital project that may be carried forward to offset future set-aside requirements.

NOTE 20 – 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, 2013.

B. Litigation

The School District is not currently party to legal proceedings.

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

NOTE 21 – SUBSEQUENT EVENTS

A. Vocational School District Board of Education Composition

Effective September 29, 2013, Ohio Revised Code Section 3311.19 changes the qualifications necessary to serve as a member of the board of education of vocational schools. Current board members will continue until the expiration of their term.

B. Termination of the School District's Self-Insurance Plan

On August 27, 2013, the Board of Education approved a resolution to terminate the contract with the Jefferson Health Plan for self-insurance effective October 1, 2013. As part of the termination of the contract the Board has elected not to purchase stop loss coverage from the Jefferson Health Plan for run out health claims. The Health Plan third party administrator has been retained to administer all run-out health claims. The Board has approved a resolution to contract with the Jefferson Health Plan to administer all run out dental claims. A liability has been recorded in the General Fund related to the cash deficit in the plan that will be required to be paid upon the termination of the health plan.

On August 27, 2013, the Board approved a resolution to join the Portage Area School Consortium (Consortium) to provide medical/drug and dental coverage for the School District, effective October 1, 2013.



Dave Yost • Auditor of State

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

Belmont-Harrison Vocational School District
Belmont County
110 Fox-Shannon Place
St. Clairsville, Ohio 43950

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Vocational School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 10, 2014, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No's. 63 and 65.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2013-001.

Entity's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 10, 2014

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

**SCHEDULE OF FINDINGS
JUNE 30, 2013**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code Section 5705.10(H) states money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a deficit fund balance indicates that money from one fund was used to cover the expenses of another fund.

The School District had a deficit cash fund balance in the Self-Insurance Fund in the amount of \$123,577 at June 30, 2013 and in the amount of \$72,750 at February 28, 2013.

We recommend the School District Treasurer monitor fund balances to properly ensure that monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the School District may be able to advance money from other funds. The School District can refer to Auditor of State Bulletin 97-003 to determine if an advance of funds to prevent a deficit cash balance would be appropriate.

Officials' Response: The district was aware of the negative self-funded fund balance and was working diligently with its current provider to resolve the issues that lead to this negative balance. The District considered advancing its self-funded fund from the general fund as recommended above, however chose to continue working with its provider to resolve this issue.

After making multiple modifications to its employees group health benefits and submitting an additional payment from the general fund to the self-funded fund, the District decided it would be prudent to terminate services with its current provider and obtain these services (medical, prescription, dental, vision and life insurance) elsewhere. A letter of intent was submitted to the provider in March 2013 and the Belmont-Harrison VSD Board of Education approved a resolution to terminate these services at the August 2013 regular board meeting. It was also approved to provide funds from the District's general fund to the self-funded fund in order to pay all run-out claims and any remaining deficit.

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

**SCHEDULE OF PRIOR AUDIT FINDING
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code Section 5705.10(H), deficit cash fund balance in the Self-Insurance Fund.	No	Not Corrected; Reissued as Finding Number 2013-001.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Belmont-Harrison Vocational School District
Belmont County
110 Fox-Shannon Place
St. Clairsville, Ohio 43950

To the Board of Education:

Ohio Rev. 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 was agreed to by the Board, solely to assist the Board in evaluating whether the Belmont-Harrison Vocational School District, Belmont County, Ohio, has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure 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 8, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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 information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Auditor of State

Columbus, Ohio

January 10, 2014

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BELMONT-HARRISON 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 28, 2014**