

**BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**

*Wilson, Phillips & Agin, CPA's, Inc.  
1100 Brandywine Blvd. Building G  
Zanesville, Ohio 43701*



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Belmont-Harrison Vocational School District  
68090 Hammond Road  
St. Clairsville, Ohio 43950-9817

We have reviewed the *Independent Auditor's Report* of the Belmont-Harrison Vocational School District, Belmont County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

November 13, 2019

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

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Belmont Harrison Vocational School District  
Belmont County  
68090 Hammond Road  
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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 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 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 Belmont Harrison Vocational School District, Belmont County, Ohio as of June 30, 2018, and the respective changes in financial position 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 described in Note 3 to the financial statements, during the year ended June 30, 2018, the District implemented GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*" and the related guidance from (GASB) Implementation Guide No. 2017-3, "*Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*" and the District implemented GASB's Implementation Guide No. 2017-1.

### **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*, required budgetary comparison schedule and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for the 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 a report dated October 10, 2019, on our consideration of the Belmont Harrison Vocational 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 Belmont Harrison Vocational School District's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
October 10, 2019



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## **Belmont-Harrison Vocational School District**

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2018*

*Unaudited*

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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, 2018. 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 2018 are as follows:

- In total, net position increased \$4,554,626.
- General revenues accounted for \$7,004,498 in revenue or approximately 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$1,195,414 or approximately 15 percent of total revenues of \$8,199,912.
- Total assets of governmental activities increased \$946,530. Current assets increased by \$472,278 primarily due to increases in property taxes receivable and cash and cash equivalents. The increase was offset by decreases in intergovernmental receivable. The overall increase in assets was also the result of increases in capital assets.
- The School District had \$3,645,286 in expenses related to governmental activities; only \$1,195,414 of these expenses were offset by program specific charges for services and sales, operating grants and contributions, and capital grants and contributions. General revenues of \$7,004,498 were adequate to provide for these programs.
- Total governmental funds had \$8,310,896 in revenues and \$7,849,047 in expenditures. Overall, the net change in total governmental fund balances, including other financing sources (uses) was an increase of \$461,849.

### **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, 2018*  
*Unaudited*

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***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 2018?" 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 that 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 11. 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 yearend 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.

***Reporting the School District's Fiduciary Responsibilities***

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

**Belmont-Harrison Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*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 2018 compared to 2017.

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

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2018</b>	<b>2017</b>	
<b>Assets</b>			
Current and Other Assets	\$8,730,727	\$8,258,449	\$472,278
Capital Assets	3,318,619	2,844,367	474,252
<b>Total Assets</b>	<b>12,049,346</b>	<b>11,102,816</b>	<b>946,530</b>
<b>Deferred Outflows of Resources</b>			
Pension	2,745,856	2,096,631	649,225
OPEB	117,704	10,319	107,385
Total Deferred Outflows of Resources	2,863,560	2,106,950	756,610
<b>Liabilities</b>			
Current and Other Liabilities	687,629	673,419	14,210
Long-Term Liabilities			
Due Within One Year	140,610	129,775	10,835
Due in More than One Year:			
Net Pension Liability	8,080,516	10,990,447	(2,909,931)
Net OPEB Liability	1,645,571	2,089,169	(443,598)
Other Amounts	1,127,684	1,304,970	(177,286)
<b>Total Liabilities</b>	<b>11,682,010</b>	<b>15,187,780</b>	<b>(3,505,770)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	2,899,908	2,803,416	96,492
Payment in Lieu of Taxes	25,162	14,220	10,942
Pension	361,638	29,574	332,064
OPEB	214,786	0	214,786
<b>Total Deferred Inflows of Resources</b>	<b>3,501,494</b>	<b>2,847,210</b>	<b>654,284</b>
<b>Net Position (Deficit)</b>			
Net Investment in Capital Assets	2,724,384	2,193,085	531,299
Restricted	55,519	78,135	(22,616)
Unrestricted	(3,050,501)	(7,096,444)	4,045,943
<b>Total Net Position (Deficit)</b>	<b>(\$270,598)</b>	<b>(\$4,825,224)</b>	<b>\$4,554,626</b>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2018*

*Unaudited*

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liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

**Belmont-Harrison Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

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As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$2,746,374) to (\$4,825,224).

Total assets of governmental activities increased \$946,530. Current and other assets increased \$472,278 primarily due to increases in property taxes receivable resulting from increased assessed values and equity in pooled cash and cash equivalents resulting from revenues exceeding expenditures. Capital assets reflect a slight increase for door and window replacements as well as a \$6,000 donated lawn tractor. The significant increase in deferred outflows of resources was due to an increase in the difference between projected and actual earnings on investments related to the School District's net pension/OPEB liability.

Total liabilities decreased \$3,505,770. Long-term liabilities decreased \$3,519,980 primarily due to a significant decrease in the net pension/OPEB liability. Current and other liabilities increased \$14,210 primarily due to increases in accrued wages and benefits payable, which was offset by a decrease in contracts payable. The net pension/OPEB liability decrease represents the School District's proportionate share of the STRS and SERS unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives the readers further details regarding the results of activities for 2018 and 2017.

**Table 2**  
**Changes in Net Position**  
**Governmental Activities**

	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$235,049	\$258,419	(\$23,370)
Operating Grants and Contributions	954,365	972,131	(17,766)
Capital Grants and Contributions	6,000	0	6,000
Total Program Revenues	<u>1,195,414</u>	<u>1,230,550</u>	<u>(35,136)</u>
General Revenues			
Property Taxes	2,811,076	2,535,712	275,364
Revenue in Lieu of Taxes	8,559	2,306	6,253
Grants and Entitlements not Restricted to Specific Programs	4,086,833	4,175,371	(88,538)
Investment Earnings	70,172	31,962	38,210
Others	27,858	20,354	7,504
Total General Revenues	<u>7,004,498</u>	<u>6,765,705</u>	<u>238,793</u>
<b>Total Revenues</b>	<b><u>8,199,912</u></b>	<b><u>7,996,255</u></b>	<b><u>203,657</u></b>

**Belmont-Harrison Vocational School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

<b>Changes in Net Position (continued)</b>			
<b>Governmental Activities</b>			
	<b>2018</b>	<b>2017</b>	<b>Change</b>
Instruction			
Regular	69,931	253,276	(183,345)
Vocational	1,610,196	4,269,099	(2,658,903)
Student Intervention Services	59,259	73,835	(14,576)
Support Services			
Pupil	128,907	485,603	(356,696)
Instructional Staff	126,790	194,814	(68,024)
Board of Education	32,198	35,749	(3,551)
Administration	221,592	695,216	(473,624)
Fiscal	323,530	347,399	(23,869)
Operation and Maintenance of Plant	656,914	640,775	16,139
Central	161,594	149,301	12,293
Operation of Non-Instructional Services	0	108	(108)
Food Service Operations	211,971	239,777	(27,806)
Extracurricular Activities	24,733	24,329	404
Interest and Fiscal Charges	17,671	27,144	(9,473)
<b>Total Expenses</b>	<b>3,645,286</b>	<b>7,436,425</b>	<b>(3,791,139)</b>
<b>Change in Net Position</b>	<b>4,554,626</b>	<b>559,830</b>	<b>3,994,796</b>
Net Position (Deficit) Beginning of Year	(4,825,224)	N/A	
<b>Net Position (Deficit) End of Year</b>	<b>(\$270,598)</b>	<b>(\$4,825,224)</b>	<b>\$4,554,626</b>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$12,856 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$323,341. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$3,645,286
Negative OPEB expense under GASB 75	(323,341)
2018 contractually required contribution	12,856
Adjusted 2018 program expenses	3,334,801
Total 2017 program expenses under GASB 45	7,436,425
Decrease in program expenses not related to OPEB	(\$4,101,624)

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2018*

*Unaudited*

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 11) As a result of these changes, pension expense decreased from \$884,990 in fiscal year 2017 to a negative pension expense of \$2,682,552 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

<b>Program Expenses</b>	<b>2018 Program Expenses Related to Negative Pension Expense</b>
Instruction:	
Regular	(\$130,992)
Vocational	(1,864,313)
Support Services:	
Pupil	(237,935)
Instructional Staff	(53,652)
Administration	(352,406)
Fiscal	(19,133)
Operation and Maintenance of Plant	(17,816)
Operation of Non-Instructional Services:	
Food Service Operations	(6,305)
<b>Total Expenses</b>	<b>(\$2,682,552)</b>

Program revenues accounted for approximately 15 percent of the School District's revenues in fiscal year 2018. These revenues consist of tuition and fees, charges for providing lunches to students, as well as grants for specified purposes. In 2018 program revenues decreased slightly, primarily due to a decrease in charges for services as a result of a decrease in tuition and fees for open enrollment. Operating grants and contributions decreased due to decreases in program specific State funding. These decreases were offset by an increase in capital grants and contributions.

In 2018, approximately 34 percent of the School District's revenues were from property taxes and approximately 50 percent were from unrestricted grants and entitlements.

The School District receives revenue in lieu of taxes as part of Tax Increment Financing (TIF) agreements with the Village of Cadiz, as well as Belmont County and the St. Clairsville Richland City School District. See Note 7 for further details.

Instructional programs comprise approximately 48 percent of total governmental program expenses. Of the instructional expenses, approximately 93 percent is for vocational instruction, approximately 4 percent is for regular instruction, and approximately 3 percent is for student intervention services. Overall program expenses decreased significantly over the prior year in the amount of \$3,791,139, most noticeably in vocational instruction. The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions.



**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2018*

*Unaudited*

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2018 compared to fiscal year 2017. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

	<b>Total Cost of Service</b>		<b>Net Cost of Services</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Instruction				
Regular	\$69,931	\$253,276	\$69,931	\$251,314
Vocational	1,610,196	4,269,099	880,657	3,493,655
Student Intervention Services	59,259	73,835	(2,863)	10,652
Support Services				
Pupil	128,907	485,603	10,645	375,522
Instructional Staff	126,790	194,814	91,860	158,837
Board of Education	32,198	35,749	32,198	35,749
Administration	221,592	695,216	212,673	686,616
Fiscal	323,530	347,399	323,530	347,399
Operation and Maintenance of Plant	656,914	640,775	650,914	640,775
Central	161,594	149,301	161,594	149,301
Operation of Non-Instructional Services	0	108	0	108
Food Service Operations	211,971	239,777	(21,781)	8,211
Extracurricular Activities	24,733	24,329	22,843	20,592
Interest and Fiscal Charges	17,671	27,144	17,671	27,144
<b>Total Expenses</b>	<b>\$3,645,286</b>	<b>\$7,436,425</b>	<b>\$2,449,872</b>	<b>\$6,205,875</b>

For fiscal year 2018, the dependence upon tax revenues and state subsidies for governmental activities reflects approximately 67 percent of expenses. For fiscal year 2017, 83 percent of expenses were supported through taxes and other general revenues. This decrease in program expenses results from changes in assumptions and benefit terms related to pensions.

**The School District Funds**

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The School District has one major fund, the General Fund. The General Fund had \$7,849,459 in revenues and \$6,927,805 in expenditures. Overall, including other financing uses, the General Fund's balance increased \$464,929 due to revenues exceeding expenditures.

**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 2018 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 final budget 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.

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2018*

*Unaudited*

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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018 the School District had \$3,318,619 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. See Note 9 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2018, the School District had \$609,485 outstanding in 2004 Vocational School Building Assistance Loan and 2013 Energy Conservation and School Improvement general obligation bond, including bond premium, with \$78,335 due within one year. See Note 15 for more information regarding the School District's debt and other long-term obligations, including compensated absences, long-term intergovernmental payable, and net pension/OPEB liability.

**Economic Factors**

Belmont-Harrison Vocational School District continues to rely 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 remains at 1.45 mills. Although the School District has benefited from the growth of the Oil and Gas Industry in the area, the overall revenue is projected to have minimal increases in future fiscal years. With the projected minor increases to overall revenue and continued inflation, the School District must continue to explore ways to control spending in order to remain financially sound.

Additionally, with the growth of the Oil and Gas Industry in the area, opportunities are created for area students and the District. The School District continues to meet with local industry leaders to discuss their work force needs, currently and into the future. This information is used to improve current vocational programs and create new programs to allow students to remain in the area and be successful after graduation, as well as provide qualified individuals to fill the work force needs of employers. The District is adding a Job Placement and Outreach Coordinator position in fiscal year 2019 to collaborate with industries and students to provide additional opportunities for students while enrolled with the District and after graduation.

**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, 68090 Hammond Road, St. Clairsville, Ohio 43950.

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# **Basic Financial Statements**

**Belmont-Harrison Vocational School District**  
*Statement of Net Position*  
*June 30, 2018*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,441,963
Intergovernmental Receivable	40,948
Prepaid Items	46,728
Materials and Supplies Inventory	37,184
Property Taxes Receivable	3,138,742
Revenue in Lieu of Taxes Receivable	25,162
Non-Depreciable Capital Assets	1,090,229
Depreciable Capital Assets, Net	2,228,390
<i>Total Assets</i>	12,049,346
<b>Deferred Outflows of Resources</b>	
Pension	2,745,856
OPEB	117,704
<i>Total Deferred Outflows of Resources</i>	2,863,560
<b>Liabilities</b>	
Accounts Payable	22,532
Contracts Payable	5,900
Accrued Wages and Benefits Payable	577,472
Intergovernmental Payable	81,031
Accrued Interest Payable	694
Long-Term Liabilities:	
Due Within One Year	140,610
Due In More Than One Year:	
Net Pension Liability (See Note 11)	8,080,516
Net OPEB Liability (See Note 12)	1,645,571
Other Amounts	1,127,684
<i>Total Liabilities</i>	11,682,010
<b>Deferred Inflows of Resources</b>	
Property Taxes	2,899,908
Payment in Lieu of Taxes	25,162
Pension	361,638
OPEB	214,786
<i>Total Deferred Inflows of Resources</i>	3,501,494
<b>Net Position (Deficit)</b>	
Net Investment in Capital Assets	2,724,384
Restricted For:	
Federal Programs	10,367
Food Service Operations	34,152
Other Purposes	11,000
Unrestricted	(3,050,501)
<i>Total Net Position (Deficit)</i>	(\$270,598)

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$69,931	\$0	\$0	\$0	(\$69,931)
Vocational	1,610,196	178,783	550,756	0	(880,657)
Student Intervention Services	59,259	0	62,122	0	2,863
Support Services:					
Pupil	128,907	0	118,262	0	(10,645)
Instructional Staff	126,790	0	34,930	0	(91,860)
Board of Education	32,198	0	0	0	(32,198)
Administration	221,592	0	8,919	0	(212,673)
Fiscal	323,530	0	0	0	(323,530)
Operation and Maintenance of Plant	656,914	0	0	6,000	(650,914)
Central	161,594	0	0	0	(161,594)
Food Service Operations	211,971	54,376	179,376	0	21,781
Extracurricular Activities	24,733	1,890	0	0	(22,843)
Interest and Fiscal Charges	17,671	0	0	0	(17,671)
<i>Total Governmental Activities</i>	<u>\$3,645,286</u>	<u>\$235,049</u>	<u>\$954,365</u>	<u>\$6,000</u>	<u>(2,449,872)</u>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					2,811,076
Revenue in Lieu of Taxes for General Purposes					8,559
Grants and Entitlements not Restricted to Specific Programs					4,086,833
Contributions and Donations					5,000
Investment Earnings					70,172
Miscellaneous					22,858
<i>Total General Revenues</i>					<u>7,004,498</u>
Change in Net Position					4,554,626
<i>Net Position (Deficit) Beginning of Year - Restated (Note 3)</i>					<u>(4,825,224)</u>
<i>Net Position (Deficit) End of Year</i>					<u>(\$270,598)</u>

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**

*Balance Sheet  
Governmental Funds  
June 30, 2018*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,501,315	\$929,648	\$5,430,963
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	11,000	0	11,000
Receivables:			
Property Taxes	3,138,742	0	3,138,742
Intergovernmental	12,026	28,922	40,948
Revenue in Lieu of Taxes	25,162	0	25,162
Prepaid Items	44,892	1,836	46,728
Materials and Supplies Inventory	31,783	5,401	37,184
<i>Total Assets</i>	<u>\$7,764,920</u>	<u>\$965,807</u>	<u>\$8,730,727</u>
<b>Liabilities</b>			
Accounts Payable	\$22,532	\$0	\$22,532
Contracts Payable	0	5,900	5,900
Accrued Wages and Benefits Payable	551,328	26,144	577,472
Intergovernmental Payable	75,309	5,722	81,031
<i>Total Liabilities</i>	<u>649,169</u>	<u>37,766</u>	<u>686,935</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	2,899,908	0	2,899,908
Payments in Lieu of Taxes Receivable	25,162	0	25,162
Unavailable Revenue	120,390	3,986	124,376
<i>Total Deferred Inflows of Resources</i>	<u>3,045,460</u>	<u>3,986</u>	<u>3,049,446</u>
<b>Fund Balances</b>			
Nonspendable:			
Materials and Supplies Inventory	31,783	5,401	37,184
Prepaid Items	44,892	1,836	46,728
Restricted for:			
Food Service Operations	0	26,915	26,915
Federal Programs	0	6,381	6,381
Underground Storage Tank Premiums	11,000	0	11,000
Committed to Capital Projects	0	883,522	883,522
Assigned to Purchases on Order	54,562	0	54,562
Unassigned	3,928,054	0	3,928,054
<i>Total Fund Balances</i>	<u>4,070,291</u>	<u>924,055</u>	<u>4,994,346</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$7,764,920</u>	<u>\$965,807</u>	<u>\$8,730,727</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, 2018*

**Total Governmental Fund Balances** \$4,994,346

*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. 3,318,619

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.

Property Taxes	120,390
Intergovernmental	3,986
	3,986

Total	124,376
-------	---------

In the Statement of Activities, interest is accrued on outstanding bonds  
and notes, whereas in governmental funds, an interest expenditure  
is reported when due. (694)

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	33,335
General Obligation Bonds	555,000
Bond Premium	21,150
Compensated Absences	648,809
Intergovernmental Payable	10,000
	10,000

Total	(1,268,294)
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The net pension/OPEB liability is not due and payable in the current period; therefore,  
the liability and related deferred inflows/outflows are not reported in the  
governmental funds:

Deferred Outflows - Pension	2,745,856
Deferred Inflows - Pension	(361,638)
Net Pension Liability	(8,080,516)
Deferred Outflows - OPEB	117,704
Deferred Inflows - OPEB	(214,786)
Net OPEB Liability	(1,645,571)
	(1,645,571)

Total	(7,438,951)
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<i>Net Position of Governmental Activities</i>	(\$270,598)
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See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2018*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$2,784,382	\$0	\$2,784,382
Intergovernmental	4,779,253	399,623	5,178,876
Interest	70,172	0	70,172
Tuition and Fees	170,741	0	170,741
Rent	6,000	0	6,000
Extracurricular Activities	1,890	0	1,890
Revenue in Lieu of Taxes	8,559	0	8,559
Contributions and Donations	5,000	6,000	11,000
Charges for Services	2,042	54,376	56,418
Miscellaneous	21,420	1,438	22,858
<i>Total Revenues</i>	<u>7,849,459</u>	<u>461,437</u>	<u>8,310,896</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	246,371	0	246,371
Vocational	3,972,276	0	3,972,276
Student Intervention Services	56	59,203	59,259
Support Services:			
Pupil	346,245	112,705	458,950
Instructional Staff	166,271	33,458	199,729
Board of Education	32,198	0	32,198
Administration	695,465	8,500	703,965
Fiscal	365,472	0	365,472
Business	5,000	0	5,000
Operation and Maintenance of Plant	688,755	7,300	696,055
Central	157,709	0	157,709
Food Service Operations	0	221,236	221,236
Extracurricular Activities	24,733	0	24,733
Capital Outlay	193,920	422,115	616,035
Debt Service:			
Principal Retirement	33,334	2,575	35,909
Interest on Capital Appreciation Bonds	0	48,288	48,288
Interest and Fiscal Charges	0	5,862	5,862
<i>Total Expenditures</i>	<u>6,927,805</u>	<u>921,242</u>	<u>7,849,047</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>921,654</u>	<u>(459,805)</u>	<u>461,849</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	456,725	456,725
Transfers Out	(456,725)	0	(456,725)
Total Other Financing Sources (Uses)	<u>(456,725)</u>	<u>456,725</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	464,929	(3,080)	461,849
<i>Fund Balances Beginning of Year</i>	<u>3,605,362</u>	<u>927,135</u>	<u>4,532,497</u>
<i>Fund Balances End of Year</i>	<u>\$4,070,291</u>	<u>\$924,055</u>	<u>\$4,994,346</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, 2018*

**Net Change in Fund Balances - Total Governmental Funds** \$461,849

*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	636,307	
Current Year Depreciation	(168,055)	
Total		468,252

Capital Contributions of assets that are not reported in the funds, but are additions to capital assets on the entity-wide statements. 6,000

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

Property Taxes	26,694	
Intergovernmental	(137,678)	
Total		(110,984)

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	(231)	
Accretion of Interest on Capital Appreciation Bonds	(13,561)	
Total		(13,792)

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.

Amortization of Bond Premium 1,983

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

Vocational School Building Assistance Loan	33,334	
Capital Appreciation Bonds	2,575	
Capital Appreciation Bonds Accretion	48,288	
Total		84,197

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

Intergovernmental Payable	5,000	
Compensated Absences	88,832	
Total		93,832

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

Pension		544,540
OPEB		12,856

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

Pension		2,682,552
OPEB		323,341

*Change in Net Position of Governmental Activities* \$4,554,626

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, 2018*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,778,000	\$2,766,900	\$2,744,995	(\$21,905)
Intergovernmental	4,535,463	4,805,063	4,781,951	(23,112)
Interest	30,025	72,105	70,172	(1,933)
Tuition and Fees	183,050	174,050	170,741	(3,309)
Rent	0	6,000	6,000	0
Extracurricular Activities	5,000	3,000	1,890	(1,110)
Contributions and Donations	0	5,000	5,000	0
Revenue in Lieu of Taxes	5,000	9,000	8,559	(441)
Charges for Services	7,000	4,000	2,042	(1,958)
Miscellaneous	(1,513)	21,987	21,420	(567)
<i>Total Revenues</i>	<u>7,542,025</u>	<u>7,867,105</u>	<u>7,812,770</u>	<u>(54,335)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	257,600	258,200	244,333	13,867
Vocational	4,164,584	4,246,726	3,927,429	319,297
Student Intervention Services	200	300	56	244
Support Services:				
Pupil	422,100	423,864	359,638	64,226
Instructional Staff	186,450	195,169	166,081	29,088
Board of Education	44,950	44,950	33,436	11,514
Administration	733,150	753,250	710,631	42,619
Fiscal	395,300	402,600	365,437	37,163
Business	5,000	5,000	5,000	0
Operation and Maintenance of Plant	868,750	805,440	737,577	67,863
Central	150,700	161,872	159,215	2,657
Extracurricular Activities	37,700	38,700	24,978	13,722
Capital Outlay	128,300	248,713	220,958	27,755
Debt Service:				
Principal Retirement	33,400	33,400	33,334	66
<i>Total Expenditures</i>	<u>7,428,184</u>	<u>7,618,184</u>	<u>6,988,103</u>	<u>630,081</u>
Excess of Revenues Over Expenditures	113,841	248,921	824,667	575,746
<b>Other Financing Source (Uses)</b>				
Sale of Assets	38,000	38,000	38,000	0
Transfers In	2,500	6,000	0	(6,000)
Transfers Out	(307,000)	(507,000)	(456,725)	50,275
Total Other Financing Sources (Uses)	<u>(266,500)</u>	<u>(463,000)</u>	<u>(418,725)</u>	<u>44,275</u>
<i>Net Change in Fund Balance</i>	(152,659)	(214,079)	405,942	620,021
<i>Fund Balance Beginning of Year</i>	3,828,157	3,828,157	3,828,157	0
Prior Year Encumbrances Appropriated	<u>206,184</u>	<u>206,184</u>	<u>206,184</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,881,682</u>	<u>\$3,820,262</u>	<u>\$4,440,283</u>	<u>\$620,021</u>

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2018*

	<u>Private Purpose Trust Fund</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$65,711</u>	<u>\$102,821</u>
<i>Total Assets</i>	<u>65,711</u>	<u><u>\$102,821</u></u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$102,821</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$102,821</u></u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>65,711</u>	
<i>Total Net Position</i>	<u><u>\$65,711</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, 2018*

	Private Purpose Trust Fund
<b>Additions</b>	
Interest	\$21,719
Contributions and Donations	751
Total Additions	22,470
<b>Deductions</b>	
Scholarships Awarded	16,500
<i>Change in Net Position</i>	5,970
<i>Net Position Beginning of Year</i>	59,741
<i>Net Position End of Year</i>	\$65,711

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, 2018*

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**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 23 classified employees and 58 certificated employees to provide services to Belmont, Harrison, Jefferson, and Carroll County freshman, sophomores, juniors and seniors. Additionally, the District provides satellite programs which are located at the Barnesville Exempted Village School District, the Shadyside Local School District, and the St. Clairsville-Richland City School District. These satellite programs serve seventh grade through senior students. For fiscal year 2018, the average daily membership was 455.

*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 for which the School District approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on the primary government. The School District has no component units.

The School District is involved with five organizations; two jointly governed organizations, three insurance purchasing pools. 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 Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), the Ohio School Plan (OSP), and the Portage Area Schools Consortium (Consortium). These organizations are presented in Notes 16 and 17.

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

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

## Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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### **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 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. 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 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.



## **Belmont-Harrison Vocational School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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***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.

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

### **D. Basis of Accounting**

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

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

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 6). 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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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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, grants, charges for services, and revenue in lieu of taxes.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 11 and Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18. Net Deferred inflows of resources related to pension and OPEB are reported on the government-wide Statement of Net Position. See Note 11 and 12 for more information.

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

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

**E. Pensions/Other Postemployment Benefits (OPEB)**

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

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents.”

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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During fiscal year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$70,172, which includes \$13,725 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.

**G. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the governmental funds include restricted cash for insurance premiums related to the underground storage tank.

**H. Assets Held for Resale**

As an integral part of the instructional laboratory experience for the carpentry programs, modular homes are constructed by the School District for the purposes of being sold on the open market or at public auction upon completion. Transactions are conducted through the School District's General Fund for reporting purposes.

The School District completed a house and it was sold during fiscal year 2018.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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.

**J. 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, 2018*

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**K. Capital Assets**

The School District’s only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is two thousand five hundred 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, except land, are depreciated. 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>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	21 - 50 years
Furniture and Equipment	5 - 25 years
Vehicles	8 - 15 years

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term and long-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position, except for any residual amounts due between governmental and business-type activities, which are presented as internal balances.

**M. Compensated Absences**

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

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

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**N. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that the benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**O. Bond Premiums, Discounts and Bond Issuance Costs**

On the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements, bond premiums, and bond discounts are recognized in the period in which the bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

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

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

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

**P. Internal 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.

**Q. 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:

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

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

**R. Net Position**

Net Position represents the difference between all other elements in a statement of financial position. 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.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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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 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.

**S. Extraordinary and Special Items**

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

**T. Estimates**

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

**U. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and 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.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented GASB's *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The Implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	(\$2,746,374)
Adjustments:	
Net OPEB Liability	(2,089,169)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>10,319</u>
Restated Net Position June 30, 2017	<u><u>(\$4,825,224)</u></u>

Other than employer contributions subsequent to the measurement date, The School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**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).



**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

	<u>General</u>
GAAP Basis	\$464,929
Revenue Accruals	1,311
Expenditure Accruals	11,734
Encumbrances	<u>(72,032)</u>
Budget Basis	<u><u>\$405,942</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

## Belmont-Harrison Vocational School District

### Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

#### Deposits

**Custodial credit risk** for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, \$441,828 of the School District's total bank balance of \$751,389 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

#### Investments

As of June 30, 2018, the School District's only investment was in STAR Ohio. STAR Ohio is measured at net asset value per share. The value of the investments in STAR Ohio was \$5,063,114 and the investment has an average maturity of 48.9 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.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 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 advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2018, are available to finance fiscal year 2018 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, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2018 was \$118,444 in the General Fund. The amount available as an advance at June 30, 2017 was \$79,057 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.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$1,293,814,260	83.78%	\$1,312,323,450	84.61%
Public Utility Personal	250,437,490	16.22%	238,754,310	15.39%
Total Assessed Value	<u>\$1,544,251,750</u>	<u>100.00%</u>	<u>\$1,551,077,760</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$1.45		\$1.45

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2018, consisted of property taxes, revenue in lieu of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$120,390 may not be collected within in one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	Amount
Title IIA Grant	\$18,634
Rural Education Achievement Program Grant	10,288
Workers Compenstation Rebate	5,611
Fiscal Year 2018 State Foundation Adjustment	6,415
	<u>\$40,948</u>

**Payment in Lieu of Taxes**

**Up Town** The School District entered into a thirty year Tax Increment Financing Agreement (TIF) in 2013. The purpose of the TIF was for the public infrastructure improvements in the Up Town section of the Village of Cadiz. The School District began receiving payments in fiscal year 2015. During fiscal year 2018, a payment in the amount of \$8,559 was received. As of June 30, 2018, a receivable for \$8,559 has been recorded which represents the payment anticipated for fiscal year 2019.

**Business Development** On December 21, 2015, the Board of Education adopted a resolution authorizing a tax increment financing arrangement (TIF), pursuant to Ohio Revised Code Sections 5709.77 through 5709.80 with Belmont County and the St. Clairsville Richland City School District. As of June 30, 2018 no receivable exists as amounts are not measurable.

**St. Clair Commons** On June 20, 2016, the Board of Education adopted a resolution authorizing a tax increment financing arrangement (TIF), and revenue sharing agreement, pursuant to Ohio Revised Code Sections 5709.40 and 5709.82 respectively, with the City of St. Clairsville. As of June 30, 2018, a receivable for \$16,603 has been recorded which represents the payment anticipated for fiscal year 2019.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**NOTE 8 – TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2018 consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>
Other Governmental Funds	General Fund
	<u>\$456,725</u>

The transfers were used to move receipts from the General Fund to the Debt Service Fund for scheduled debt service payments and to the Capital Projects Fund for the purpose of acquiring, constructing, or improving the capital assets of the School District.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/18</u>
Nondepreciable Capital Assets:				
Land	<u>\$1,090,229</u>	\$0	\$0	<u>\$1,090,229</u>
Depreciable Capital Assets:				
Land Improvements	97,724	0	0	97,724
Buildings and Improvements	5,527,817	586,889	0	6,114,706
Furniture and Equipment	1,630,861	55,418	(13,749)	1,672,530
Vehicles	<u>172,256</u>	<u>0</u>	<u>0</u>	<u>172,256</u>
Total Depreciable Capital Assets	<u>7,428,658</u>	<u>642,307</u>	<u>(13,749)</u>	<u>8,057,216</u>
Accumulated Depreciation:				
Land Improvements	(96,996)	(300)	0	(97,296)
Buildings and Improvements	(4,192,774)	(95,812)	0	(4,288,586)
Furniture and Equipment	(1,228,911)	(67,968)	13,749	(1,283,130)
Vehicles	<u>(155,839)</u>	<u>(3,975)</u>	<u>0</u>	<u>(159,814)</u>
Total Accumulated Depreciation	<u>(5,674,520)</u>	<u>(168,055)</u>	<u>13,749</u>	<u>(5,828,826)</u>
Total Depreciable Capital Assets, Net	<u>1,754,138</u>	<u>474,252</u>	<u>0</u>	<u>2,228,390</u>
Governmental Capital Assets, Net	<u>\$2,844,367</u>	<u>\$474,252</u>	<u>\$0</u>	<u>\$3,318,619</u>

The School District reported contributed capital in the amount of \$6,000 for donated capital assets.

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Vocational	\$146,012
Support Services:	
Administration	5,591
Fiscal	958
Maintenance	6,737
Central	3,885
Food Service Operations	<u>4,872</u>
Total	<u>\$168,055</u>

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**NOTE 10 - 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 2018 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 School District pays this annual premium to the OSP (See Note 17). The Belmont-Harrison Vocational School District contracted with the Ohio School Plan for liability, property, and fleet insurance.

*Property:*

Building and Contents - replacement cost (\$1,000 Deductible)	\$32,557,173
Flood Coverage (\$25,000 Deductible)	5,000,000

*Commercial Auto Coverage:*

Auto Liability (Deductible: \$1,000 for Buses, \$500 for All Other)	3,000,000
Uninsured Motorists	1,000,000

*Educational General Liability:*

Each Occurrence	3,000,000
Aggregated Limit	5,000,000
Personal and Advertising Injury Limit - Each Occurrence	3,000,000

*Sexual Misconduct Liability:*

Each Occurrence	3,000,000
Aggregated Limit	5,000,000

*Employers' Liability:*

Each Occurrence	3,000,000
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*Employee Benefits Liability:*

Each Occurrence	3,000,000
Aggregated Limit	5,000,000

*School Leaders Errors and Omissions Liability:*

Each Occurrence	3,000,000
Aggregated Limit	5,000,000

*Crime Coverage:*

Employee Theft, Forgery or Alteration (\$1,000 Deductible)	100,000
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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 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

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**C. Employee Benefits**

Medical/surgical, prescription drug, life and dental insurance is offered to all employees through the Portage Area Schools Consortium (Consortium) for health insurance for the School District's employees. The Consortium was established in 1981 so that thirteen educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. The Consortium currently has 25 members. The Consortium has organized into two distinct entities to facilitate its risk management operations. The Portage Area Schools Consortium Property and Casualty Insurance Pool functions to manage the School District's physical property and liability risk. The Portage Area Schools Consortium Health and Welfare Trust is organized under provisions of Section 501 (c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits, coverage such as health and accident insurance, disability insurance and life insurance. The School District participates in the Portage Area Schools Consortium Health and Welfare Trust. A third-party administrator is retained by the consortium to facilitate the operation of the Portage Area Schools Consortium Health and Welfare Trust. The School District pays all insurance premiums directly to the Consortium; one of its administrators serves as a trustee of the consortium's governing board as provided in the Consortium's enabling authority. The School District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted.

Medical/surgical and prescription drug insurance are offered to employees through the Portage Area School Consortium. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. The Board's share of the premiums for this coverage is \$634.36 for individual coverage per month and \$1,806.44 for family coverage per month which represents 82 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 premiums for dental coverage is \$39.35 for individual coverage per month and \$91.94 for family coverage per month which represents 90 percent of the total premium.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability***

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

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to



**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

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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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$85,741 for fiscal year 2018. Of this amount \$0 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$458,799 for fiscal year 2018. Of this amount \$69,326 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.01937750%	0.02859675%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.01820220%</u>	<u>0.02943764%</u>	
Change in Proportionate Share	<u>-0.00117530%</u>	<u>0.00084089%</u>	
Proportionate Share of the Net Pension Liability	\$1,087,542	\$6,992,974	\$8,080,516
Pension Expense	(\$62,702)	(\$2,619,850)	(\$2,682,552)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$46,804	\$270,035	\$316,839
Changes of assumptions	56,238	1,529,440	1,585,678
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	19,353	279,446	298,799
School District contributions subsequent to the measurement date	<u>85,741</u>	<u>458,799</u>	<u>544,540</u>
Total Deferred Outflows of Resources	<u><u>\$208,136</u></u>	<u><u>\$2,537,720</u></u>	<u><u>\$2,745,856</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$56,361	\$56,361
Net difference between projected and actual earnings on pension plan investments	5,162	230,776	235,938
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>69,339</u>	<u>0</u>	<u>69,339</u>
Total Deferred Inflows of Resources	<u><u>\$74,501</u></u>	<u><u>\$287,137</u></u>	<u><u>\$361,638</u></u>

\$2,745,856 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$20,059	\$395,006	\$415,065
2020	51,604	708,944	760,548
2021	1,584	516,985	518,569
2022	<u>(25,353)</u>	<u>170,849</u>	<u>145,496</u>
Total	<u><u>\$47,894</u></u>	<u><u>\$1,791,784</u></u>	<u><u>\$1,839,678</u></u>

***Actuarial Assumptions - SERS***

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

**Belmont-Harrison Vocational School District**

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$1,509,225	\$1,087,542	\$734,295

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

**Belmont-Harrison Vocational School District**

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	<u>July 1, 2017</u>	<u>July 1, 2016</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

**Belmont-Harrison Vocational School District**

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$10,024,191	\$6,992,974	\$4,439,629

**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, 2018, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Belmont-Harrison Vocational School District**

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**NOTE 12 – DEFINED BENEFIT OPEB PLAN**

See Note 11 for a description of the net OPEB liability

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$9,680.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$12,856 for fiscal year 2018. Of this amount \$9,680 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.



**Belmont-Harrison Vocational School District**

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.01963980%	0.02859675%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.01851980%</u>	<u>0.02943764%</u>	
Change in Proportionate Share	<u><u>-0.00112000%</u></u>	<u><u>0.00084089%</u></u>	
Proportionate Share of the Net			
OPEB Liability	\$497,023	\$1,148,548	\$1,645,571
OPEB Expense	\$20,710	(\$344,051)	(\$323,341)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$66,301	\$66,301
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	38,547	38,547
School District contributions subsequent to the measurement date	<u>12,856</u>	<u>0</u>	<u>12,856</u>
Total Deferred Outflows of Resources	<u><u>\$12,856</u></u>	<u><u>\$104,848</u></u>	<u><u>\$117,704</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$0	\$0
Changes of assumptions	47,165	92,519	139,684
Net difference between projected and actual earnings on OPEB plan investments	1,313	49,092	50,405
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>24,697</u>	<u>0</u>	<u>24,697</u>
Total Deferred Inflows of Resources	<u><u>\$73,175</u></u>	<u><u>\$141,611</u></u>	<u><u>\$214,786</u></u>

\$117,704 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$26,365)	(\$10,219)	(\$36,584)
2020	(26,365)	(10,219)	(36,584)
2021	(20,117)	(10,219)	(30,336)
2022	(328)	(10,219)	(10,547)
2023	0	2,054	2,054
2024	<u>0</u>	<u>2,059</u>	<u>2,059</u>
Total	<u><u>(\$73,175)</u></u>	<u><u>(\$36,763)</u></u>	<u><u>(\$109,938)</u></u>

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

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point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and

**Belmont-Harrison Vocational School District**

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the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$600,218	\$497,023	\$415,266

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's proportionate share of the net OPEB liability	\$403,297	\$497,023	\$621,071

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

**Belmont-Harrison Vocational School District**

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Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

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***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$1,541,907	\$1,148,548	\$837,666

  

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$797,962	\$1,148,548	\$1,609,960

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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**

The School District provides life insurance through Mutual of Omaha Life AD&D, in the amount of \$50,000 for all full-time employees. The School District pays 100 percent of the premiums of \$5.00 per month for all employees. The School District provides vision insurance through Vision Service Plan. The Board's share of vision insurance is \$16.21, single and \$36.68, family, respectively per month, which represents 90 percent of the total premium.

**NOTE 14 - COMMITMENTS**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were \$72,032 in the General Fund.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

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**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Outstanding 6/30/17	Additions	Reductions	Outstanding 6/30/17	Amounts Due Within One Year
<b>Governmental Activities:</b>					
2004 Vocational School Building Assistance Loan - \$500,000 @ 0%	\$66,669	\$0	\$33,334	\$33,335	\$33,335
2013 Energy Conservation and School Improvement Bonds					
Term Bonds \$680,000 @ 1.0% - 2.5%	555,000	0	0	555,000	45,000
Capital Appreciation Bonds \$2,575 @ 1.5%	2,575	0	2,575	0	0
Accretion of Interest \$48,288	34,727	13,561	48,288	0	0
Premium \$31,726	23,133	0	1,983	21,150	0
Total 2013 Energy Conservation and School Improvement Bonds	615,435	13,561	52,846	576,150	45,000
Compensated Absences	737,641	99,278	188,110	648,809	57,275
Long-Term Intergovernmental Payable	15,000	0	5,000	10,000	5,000
<i>Other Long-Term Obligations</i>					
Net Pension Liability *					
SERS	1,418,253	0	330,711	1,087,542	0
STRS	9,572,194	0	2,579,220	6,992,974	0
Total Net Pension Liability	10,990,447	0	2,909,931	8,080,516	0
Net OPEB Liability **					
SERS	559,807	0	62,784	497,023	0
STRS	1,529,362	0	380,814	1,148,548	0
Total Net OPEB Liability	2,089,169	0	443,598	1,645,571	0
Total Governmental Activities	\$14,514,361	\$112,839	\$3,632,819	\$10,994,381	\$140,610

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

\*\* For additional information related to net OPEB liability, see Note 12.

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, 2018 are as follows:

Fiscal Year Ending June 30	Principal
2019	\$33,335

*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

**Belmont-Harrison Vocational School District**

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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 amortized over the life of the bonds using the straight-line method.

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 percent 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 percent 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 percent 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 redemption price of 100 percent 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:



**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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<u>Redemption Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
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 final capital appreciation bonds for this issue matured on December 1, 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest was paid and the bond holder received the face value of the bond. There are no outstanding capital appreciation bonds remaining at June 30, 2018.

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		
	Principal	Interest	Total
2019	\$45,000	\$11,725	\$56,725
2020	45,000	11,050	56,050
2021	50,000	10,375	60,375
2022	50,000	9,625	59,625
2023	50,000	8,625	58,625
2024-2028	260,000	26,500	286,500
2029	55,000	1,375	56,375
<b>Total</b>	<b>\$555,000</b>	<b>\$79,275</b>	<b>\$634,275</b>

On April 8, 2016 the Belmont-Harrison Vocational School District Board of Education signed an addendum to Service Agreement with the East Central Ohio Educational Service Center Governing Board (ECOESC). The Board of Education and the ECOESC wish to include an additional service to the services that the ECOESC will provide to the Board of Education pursuant to Section 3313.845 of Ohio Revised Code. In consideration of the services contained in the addendum the ECOESC will purchase property to be used for the delivery of educational services to students served by the Belmont County school district clients of the ECOESC. In consideration of the above, the Board agrees to pay ECOESC, the sum of \$5,000 per year for a period of five years, for a total payment of \$25,000. The first installment was paid on May 10, 2016, and subsequent payments shall be made no later than January 1 each year thereafter.

The School District's overall legal debt margin was \$139,008,663, with an unvoted debt margin of \$1,551,078, at June 30, 2018.

Compensated absences will be paid from the General Fund.

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the following funds the General Fund, Miscellaneous Federal Grant, and the Food Service Special Revenue Funds. For additional information related to the net pension/OPEB liability, See Note 11 and 12.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**NOTE 16 - 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 on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2018, the total amount paid to OME-RESA from the School District was \$11,778 for technology services and \$11,146 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant’s control is limited to its representation on the Board. The School District’s membership fee was \$325 for fiscal year 2018.

**NOTE 17 - PUBLIC ENTITY 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 \$615 for policy year 2018 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 the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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*The Portage Area School Consortium (Consortium)* – is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts. The Consortium is a stand-alone entity, comprised of two stand-alone Pools; the Portage Area Schools Consortium Property and Casualty Pool and the Portage Area Schools Consortium Health and Welfare Insurance Pool. These pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS**

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

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	86,107
Current Year Qualifying Expenditures	<u>(279,378)</u>
Totals	<u>(\$193,271)</u>
Balance Carried Forward to Fiscal Year 2019	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2018	<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 and prior year expenditures from debt proceeds that may be carried forward to future years.

**NOTE 19 - 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, 2018.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**B. State Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**C. Litigation**

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

**NOTE 20 – SUBSEQUENT EVENT**

*Tax Abatement* - Jefferson County provides tax abatements through an Enterprise Zone Tax Exemption Program pursuant to Ohio Revised Code Chapter 5709. This program provides property tax abatements to encourage new investment. On July 31, 2018, Harrison County Board of Commissioners executed an Enterprise Zone Tax Exemption agreement with Harrison Power LLC and on April 16, 2018, the Belmont-Harrison Vocational School District Board of Education waived the necessity of the County to provide the 14-day notice regarding the Enterprise Zone Agreement. The company will construct a natural gas fired combined cycle electric generating facility in the Harrison Industrial Park located in Cadiz, Ohio. Currently, the agreement has not been approved by the State. If approved, Harrison Power LLC will expend between \$18,000,000 and \$21,000,000 for construction, between \$531,000 and \$579,000 for machinery and equipment, hire approximately 19 full-time permanent jobs and estimates a completion date of May 2021. The agreement provides for a 15 year, 100 percent tax abatement for the real and public utility property tax on the new facility.

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**Required  
Supplementary  
Information**

**Belmont-Harrison Vocational School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Fiscal Years (1)\**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.01820220%	0.01937750%	0.01865310%	0.01964700%	0.01964700%
School District's Proportionate Share of the Net Pension Liability	\$1,087,542	\$1,418,253	\$1,064,365	\$994,323	\$1,168,344
School District's Covered Payroll	\$600,593	\$602,750	\$568,065	\$563,369	\$520,701
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	181.08%	235.30%	187.37%	176.50%	224.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.



**Belmont-Harrison Vocational School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1) \**

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.01851980%	0.01963980%
School District's Proportionate Share of the Net OPEB Liability	\$497,023	\$559,807
School District's Covered Payroll	\$600,593	\$602,750
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.76%	92.88%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**Belmont-Harrison Vocational School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Fiscal Years (1)\**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02943764%	0.02859675%	0.02819944%	0.02799468%	0.02799468%
School District's Proportionate Share of the Net Pension Liability	\$6,992,974	\$9,572,194	\$7,793,501	\$6,809,275	\$8,111,164
School District's Covered Payroll	\$3,238,271	\$3,029,871	\$2,924,743	\$2,883,454	\$2,705,607
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	215.95%	315.93%	266.47%	236.15%	299.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**Belmont-Harrison Vocational School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension OPEB Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1) \**

	2018	2017
School District's Proportion of the Net OPEB Liability	0.02943764%	0.02859675%
School District's Proportionate Share of the Net OPEB Liability	\$1,148,548	\$1,529,362
School District's Covered Payroll	\$3,238,271	\$3,029,871
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.47%	50.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**Belmont-Harrison Vocational School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$85,741	\$84,083	\$84,385	\$74,871
Contributions in Relation to the Contractually Required Contribution	<u>(85,741)</u>	<u>(84,083)</u>	<u>(84,385)</u>	<u>(74,871)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$635,119	\$600,593	\$602,750	\$568,065
Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$12,856	\$10,319	\$9,950	\$14,619
Contributions in Relation to the Contractually Required Contribution	<u>(\$12,856)</u>	<u>(\$10,319)</u>	<u>(\$9,950)</u>	<u>(\$14,619)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.02%</u>	<u>1.72%</u>	<u>1.65%</u>	<u>2.57%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.52%</u>	<u>15.72%</u>	<u>15.65%</u>	<u>15.75%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$78,083	\$72,065	\$72,762	\$68,196	\$72,078	\$61,112
(78,083)	(72,065)	(72,762)	(68,196)	(72,078)	(61,112)
\$0	\$0	\$0	\$0	\$0	\$0
\$563,369	\$520,701	\$540,982	\$542,529	\$532,333	\$621,058
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$10,827	\$10,338	\$11,361	\$16,212	\$10,671	\$34,897
(\$10,827)	(\$10,338)	(\$11,361)	(\$16,212)	(\$10,671)	(\$34,897)
\$0	\$0	\$0	\$0	\$0	\$0
1.92%	1.99%	2.10%	2.99%	2.00%	5.62%
15.78%	15.83%	15.55%	15.56%	15.54%	15.46%

**Belmont-Harrison Vocational School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2018	2017	2016	2015
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$458,799	\$453,358	\$424,182	\$409,464
Contributions in Relation to the Contractually Required Contribution	(458,799)	(453,358)	(424,182)	(409,464)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,277,136	\$3,238,271	\$3,029,871	\$2,924,743
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$374,849	\$351,729	\$384,824	\$394,804	\$410,987	\$418,780
<u>(374,849)</u>	<u>(351,729)</u>	<u>(384,824)</u>	<u>(394,804)</u>	<u>(410,987)</u>	<u>(418,780)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,883,454	\$2,705,607	\$2,960,186	\$3,036,957	\$3,161,436	\$3,221,386
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$28,835	\$27,056	\$29,602	\$30,370	\$31,614	\$32,214
<u>(28,835)</u>	<u>(27,056)</u>	<u>(29,602)</u>	<u>(30,370)</u>	<u>(31,614)</u>	<u>(32,214)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

## Belmont-Harrison Vocational School District

Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

### Net Pension Liability

#### Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

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

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

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

#### Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of



## Belmont-Harrison Vocational School District

Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

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rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

### Net OPEB Liability

#### Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

#### Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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  
68090 Hammond Road  
St. Clairsville, Ohio 43950

To the Board of Education:

We have audited, in accordance with auditing standards general 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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2019. We noted the District implemented GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*" and the related guidance from (GASB) Implementation Guide No. 2017-3, "*Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*" and the District implemented GASB's Implementation Guide No. 2017-1.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Belmont Harrison Vocational 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 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 a 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 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 and was not designed to identify all deficiencies in internal control 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 obtaining reasonable assurance about whether the Belmont Harrison Vocational 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
October 10, 2019

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
NOVEMBER 26, 2019**