

BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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



Dave Yost • Auditor of State

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

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, 2013 through June 30, 2014. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 15, 2016

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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
110 Fox-Shannon Place
St. Clairsville, Ohio 43950

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont Harrison Vocational School District, Belmont County, Ohio as of and for the year ended June 30, 2014, 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 conducted our audit 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, 2014, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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 December 1, 2015, 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
December 1, 2015

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Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

The discussion and analysis of the Belmont-Harrison Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- In total, net position increased \$918,885.
- General revenues accounted for \$5,884,453 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$1,164,513 or 17 percent of total revenues of \$7,048,966.
- Total assets of governmental activities increased \$635,235. Current assets increased by \$465,424 primarily due to increases in cash and cash equivalents as revenues exceeded expenditures. Capital assets increased \$169,811 primarily due to additions related to the School District's energy conservation project, which were offset by annual depreciation expense.
- The School District had \$6,130,081 in expenses related to governmental activities; only \$1,164,513 of these expenses were offset by program specific charges for services and sales, operating grants and contributions. General revenues of \$5,884,453 were adequate to provide for these programs.
- Total governmental funds had \$7,080,862 in revenues and \$6,401,236 in expenditures. The net change in total governmental fund balances, including other financing sources (uses) was an increase of \$680,529.

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, 2014
Unaudited

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" 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 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

Belmont-Harrison Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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 2014 compared to 2013.

Table 1
Net Position

| | Governmental Activities | | |
|-----------------------------------------------------------------|--------------------------------|--------------------|------------------|
| | 2014 | 2013 | Change |
| Assets | | | |
| Current and Other Assets | \$4,629,738 | \$4,164,314 | \$465,424 |
| Capital Assets | 2,819,506 | 2,649,695 | 169,811 |
| Total Assets | 7,449,244 | 6,814,009 | 635,235 |
| Liabilities | | | |
| Long-Term Liabilities | 1,872,831 | 1,873,463 | (632) |
| Other Liabilities | 680,476 | 911,304 | (230,828) |
| Total Liabilities | 2,553,307 | 2,784,767 | (231,460) |
| Deferred Inflows of Resources | | | |
| Property Taxes not Levied to Finance Current Year Operations | 1,663,468 | 1,715,658 | (52,190) |
| Net Position | | | |
| Net Investment in Capital Assets | 1,970,261 | 1,907,733 | 62,528 |
| Restricted | 94,998 | 94,341 | 657 |
| Unrestricted | 1,167,210 | 311,510 | 855,700 |
| Total Net Position | \$3,232,469 | \$2,313,584 | \$918,885 |

Total assets of governmental activities increased \$635,235. Current assets increased by \$465,424 primarily due to increases in cash and cash equivalents as revenues exceeded expenditures as the District continues to monitor spending. Capital assets increased \$169,811 primarily due to additions related to the School District's energy conservation project, which were offset by annual depreciation expense.

Total liabilities decreased \$231,460 primarily due to decreases in other liabilities, related to the School District's termination of its self-insured health plan agreement during fiscal year 2014.

Belmont-Harrison Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal year 2014 compared to fiscal year 2013.

Table 2
Changes in Net Position

| | Governmental Activities | | Change |
|----------------------------------------------------------------|--------------------------------|--------------------|------------------|
| | 2014 | 2013 | |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services and Sales | \$231,048 | \$223,220 | \$7,828 |
| Operating Grants and Contributions | 933,465 | 936,163 | (2,698) |
| Total Program Revenues | 1,164,513 | 1,159,383 | 5,130 |
| General Revenues | | | |
| Property Taxes | 1,744,932 | 1,648,106 | 96,826 |
| Grants and Entitlements not Restricted to Specific Programs | 4,067,492 | 3,973,936 | 93,556 |
| Investment Earnings | 7,266 | 7,189 | 77 |
| Other | 64,763 | 28,959 | 35,804 |
| Total General Revenues | 5,884,453 | 5,658,190 | 226,263 |
| Total Revenues | 7,048,966 | 6,817,573 | 231,393 |
| Program Expenses | | | |
| Instruction | | | |
| Regular | 201,324 | 190,232 | 11,092 |
| Vocational | 3,627,525 | 3,914,497 | (286,972) |
| Student Intervention Services | 43,777 | 55,083 | (11,306) |
| Support Services | | | |
| Pupil | 299,000 | 287,529 | 11,471 |
| Instructional Staff | 142,205 | 71,893 | 70,312 |
| Board of Education | 36,479 | 25,104 | 11,375 |
| Administration | 538,354 | 655,347 | (116,993) |
| Fiscal | 301,358 | 304,239 | (2,881) |
| Operation and Maintenance of Plant | 554,148 | 577,002 | (22,854) |
| Central | 162,747 | 185,322 | (22,575) |
| Food Service Operations | 186,397 | 187,972 | (1,575) |
| Extracurricular Activities | 23,091 | 24,004 | (913) |
| Interest and Fiscal Charges | 13,676 | 4,393 | 9,283 |
| Total Expenses | 6,130,081 | 6,482,617 | (352,536) |
| Increase in Net Position | 918,885 | 334,956 | 583,929 |
| Restatement - (Note 3) | 0 | 96,413 | (96,413) |
| Net Position Beginning of Year | 2,313,584 | 1,882,215 | 431,369 |
| Net Position End of Year | \$3,232,469 | \$2,313,584 | \$918,885 |

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

In 2014, 25 percent of the School District's revenues were from property taxes and 58 percent were from unrestricted grants and entitlements.

The School District began receiving revenue in lieu of taxes in fiscal year 2012 related to a contractual agreement between Belmont County and FirstEnergy Generation Corporation. FirstEnergy ceased operations within the School District's taxing authority, and has contractually agreed to payments in order to mitigate the loss of tax revenue. See Note 7 for further details.

Instructional programs comprise approximately 63 percent of governmental program expenses, a decrease of \$287,186 from fiscal year 2013. Of the instructional expenses, approximately 94 percent is for vocational instruction, approximately 5 percent is for regular instruction, and approximately 1 percent for student intervention services. Overall, program expenses of the School District decreased by \$352,536 mostly due to the termination of the self-insurance health plan during fiscal year 2014.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2014 as compared to 2013. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

| | Total Cost of Service | | Net Cost of Services | |
|------------------------------------|------------------------------|--------------------|-----------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Instruction | | | | |
| Regular | \$201,324 | \$190,232 | \$199,674 | \$181,227 |
| Vocational | 3,627,525 | 3,914,497 | 2,879,074 | 3,179,699 |
| Student Intervention Services | 43,777 | 55,083 | (927) | 159 |
| Support Services | | | | |
| Pupil | 299,000 | 287,529 | 184,911 | 181,776 |
| Instructional Staff | 142,205 | 71,893 | 104,738 | 17,345 |
| Board of Education | 36,479 | 25,104 | 36,479 | 25,104 |
| Administration | 538,354 | 655,347 | 528,987 | 645,614 |
| Fiscal | 301,358 | 304,239 | 301,358 | 304,239 |
| Operation and Maintenance of Plant | 554,148 | 577,002 | 554,148 | 577,002 |
| Central | 162,747 | 185,322 | 159,147 | 181,722 |
| Food Service Operations | 186,397 | 187,972 | (11,674) | 6,284 |
| Extracurricular Activities | 23,091 | 24,004 | 15,977 | 18,670 |
| Interest and Fiscal Charges | 13,676 | 4,393 | 13,676 | 4,393 |
| Total Expenses | \$6,130,081 | \$6,482,617 | \$4,965,568 | \$5,323,234 |

The dependence upon tax revenues and state subsidies for government activities is apparent as approximately 81 percent of expenses are supported through taxes and other general revenues.

Belmont-Harrison Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. The School District has one major fund, the General Fund. The General Fund had \$6,607,557 in revenues and \$5,763,123 in expenditures. Overall, including other financing sources (uses), the General Fund's balance increased \$632,232.

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 2014 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant differences between budgeted and actual revenues during the fiscal year. There were significant differences between budgeted and actual expenditures, as spending was less than budgeted in all categories with the exception of capital outlay, most notably vocational instruction expense.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014 the School District had \$2,819,506 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, 2014, the School District had \$881,569 outstanding in 2004 Vocational School Building Assistance Loan, and 2013 Energy Conservation and School Improvement general obligation bonds, including premium, and accretion of interest, with \$68,333 due within one year.

Table 4 summarizes loans and bonds outstanding:

Table 4
Outstanding Debt at Fiscal Year End

| | Governmental Activities | |
|-------------------------------------------------------|--------------------------------|-------------|
| | 2014 | 2013 |
| 2004 Vocational School Building Assistance Loan | \$166,670 | \$200,003 |
| 2013 Energy Conservation and School Improvement Bonds | | |
| Term Bonds | 680,000 | 680,000 |
| Capital Appreciation Bonds | 2,575 | 2,575 |
| Accretion of Interest | 3,242 | 558 |
| Premium | 29,082 | 31,065 |
| Total Outstanding Debt | \$881,569 | \$914,201 |

See Note 15 for more information on the School Districts debt.

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Economic Factors

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

Real Estate tax collections are a function of several variables including valuation, effective millage, delinquencies, and collection rate. The Belmont-Harrison Vocational School District's voted millage is currently 1.45 mills. Although, the School District did recognize an increase in real estate tax collections during fiscal year 2014, the overall increase to revenue was small. With little to no increases to overall revenue over the past several years and continued inflation, the School District has continued to explore ways to decrease expenditures in order to remain financially sound.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Mark Lucas, Treasurer/CFO at Belmont-Harrison Vocational School District, 110 Fox Shannon Place, St. Clairsville, Ohio 43950.

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Belmont-Harrison Vocational School District

Statement of Net Position

June 30, 2014

| | <u>Governmental Activities</u> |
|--------------------------------------------------------------|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$2,640,221 |
| Intergovernmental Receivable | 25,156 |
| Prepaid Items | 39,267 |
| Materials and Supplies Inventory | 35,877 |
| Property Taxes Receivable | 1,872,842 |
| Revenue in Lieu of Taxes | 16,375 |
| Non-Depreciable Capital Assets | 1,090,229 |
| Depreciable Capital Assets, Net | <u>1,729,277</u> |
| <i>Total Assets</i> | <u>7,449,244</u> |
| Liabilities | |
| Accounts Payable | 3,513 |
| Retainage Payable | 68,258 |
| Accrued Wages and Benefits Payable | 524,203 |
| Intergovernmental Payable | 83,935 |
| Accrued Interest Payable | 567 |
| Long-Term Liabilities: | |
| Due Within One Year | 127,480 |
| Due In More Than One Year | <u>1,745,351</u> |
| <i>Total Liabilities</i> | <u>2,553,307</u> |
| Deferred Inflows of Resources | |
| Property Taxes not Levied to Finance Current Year Operations | <u>1,663,468</u> |
| Net Position | |
| Net Investment in Capital Assets | 1,970,261 |
| Restricted For: | |
| Capital Projects | 53,437 |
| Federal Programs | 9,708 |
| Food Service Operations | 20,853 |
| Other Purposes | 11,000 |
| Unrestricted | <u>1,167,210</u> |
| <i>Total Net Position</i> | <u><u>\$3,232,469</u></u> |

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

| | Program Revenues | | | Net (Expense) Revenue and Change in Net Position |
|--------------------------------------|--------------------|-----------------------------------|---------------------------------------|-----------------------------------------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$201,324 | \$0 | \$1,650 | (\$199,674) |
| Vocational | 3,627,525 | 177,241 | 571,210 | (2,879,074) |
| Student Intervention Services | 43,777 | 0 | 44,704 | 927 |
| Support Services: | | | | |
| Pupil | 299,000 | 0 | 114,089 | (184,911) |
| Instructional Staff | 142,205 | 0 | 37,467 | (104,738) |
| Board of Education | 36,479 | 0 | 0 | (36,479) |
| Administration | 538,354 | 0 | 9,367 | (528,987) |
| Fiscal | 301,358 | 0 | 0 | (301,358) |
| Operation and Maintenance of Plant | 554,148 | 0 | 0 | (554,148) |
| Central | 162,747 | 0 | 3,600 | (159,147) |
| Food Service Operations | 186,397 | 46,693 | 151,378 | 11,674 |
| Extracurricular Activities | 23,091 | 7,114 | 0 | (15,977) |
| Interest and Fiscal Charges | 13,676 | 0 | 0 | (13,676) |
| <i>Total Governmental Activities</i> | <u>\$6,130,081</u> | <u>\$231,048</u> | <u>\$933,465</u> | <u>(4,965,568)</u> |

General Revenues

| | |
|-------------------------------------------------------------|---------------------------|
| Property Taxes Levied for General Purposes | 1,744,932 |
| Grants and Entitlements not Restricted to Specific Programs | 4,067,492 |
| Investment Earnings | 7,266 |
| Miscellaneous | 64,763 |
| <i>Total General Revenues</i> | <u>5,884,453</u> |
| Change in Net Position | 918,885 |
| <i>Net Position Beginning of Year - Restated (Note 3)</i> | <u>2,313,584</u> |
| <i>Net Position End of Year</i> | <u><u>\$3,232,469</u></u> |

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District

*Balance Sheet
Governmental Funds
June 30, 2014*

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------------------------------------------------|--------------------|-----------------------------------------|-----------------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,277,972 | \$282,991 | \$2,560,963 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 11,000 | 68,258 | 79,258 |
| Receivables: | | | |
| Property Taxes | 1,872,842 | 0 | 1,872,842 |
| Intergovernmental | 0 | 25,156 | 25,156 |
| Revenue in Lieu of Taxes | 16,375 | 0 | 16,375 |
| Prepaid Items | 37,807 | 1,460 | 39,267 |
| Materials and Supplies Inventory | 35,084 | 793 | 35,877 |
| <i>Total Assets</i> | <u>\$4,251,080</u> | <u>\$378,658</u> | <u>\$4,629,738</u> |
| Liabilities | | | |
| Accounts Payable | \$3,513 | \$0 | \$3,513 |
| Accrued Wages and Benefits Payable | 503,746 | 20,457 | 524,203 |
| Intergovernmental Payable | 77,990 | 5,945 | 83,935 |
| Retainage Payable | 0 | 68,258 | 68,258 |
| <i>Total Liabilities</i> | <u>585,249</u> | <u>94,660</u> | <u>679,909</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes not Levied to Finance Current Year Operations | 1,663,468 | 0 | 1,663,468 |
| Unavailable Revenue | 139,842 | 0 | 139,842 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,803,310</u> | <u>0</u> | <u>1,803,310</u> |
| Fund Balances | | | |
| Nonspendable: | | | |
| Materials and Supplies Inventory | 35,084 | 793 | 35,877 |
| Prepaid Items | 37,807 | 1,460 | 39,267 |
| Restricted for: | | | |
| Capital Projects | 0 | 53,437 | 53,437 |
| Food Service Operations | 0 | 18,600 | 18,600 |
| Federal Programs | 0 | 9,708 | 9,708 |
| Underground Storage Tank Premiums | 11,000 | 0 | 11,000 |
| Committed to Capital Projects | 0 | 200,000 | 200,000 |
| Assigned to Purchases on Order | 66,935 | 0 | 66,935 |
| Unassigned | 1,711,695 | 0 | 1,711,695 |
| <i>Total Fund Balances</i> | <u>1,862,521</u> | <u>283,998</u> | <u>2,146,519</u> |
| <i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | <u>\$4,251,080</u> | <u>\$378,658</u> | <u>\$4,629,738</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, 2014*

Total Governmental Fund Balances \$2,146,519

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 2,819,506

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 | 123,467 |
| Revenue in Lieu of Taxes | <u>16,375</u> |

Total 139,842

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

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

| | |
|-----------------------------------------------|----------------|
| Vocational School Building Assistance Loan | 166,670 |
| General Obligation Bonds | 680,000 |
| Capital Appreciation Bonds | 2,575 |
| Capital Appreciation Bonds Interest Accretion | 3,242 |
| Bond Premium | 29,082 |
| Compensated Absences | <u>991,262</u> |

Total (1,872,831)

Net Position of Governmental Activities \$3,232,469

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, 2014

| | General | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------|--------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$1,760,335 | \$0 | \$1,760,335 |
| Intergovernmental | 4,616,543 | 384,540 | 5,001,083 |
| Interest | 6,973 | 285 | 7,258 |
| Tuition and Fees | 162,343 | 0 | 162,343 |
| Extracurricular Activities | 7,114 | 0 | 7,114 |
| Revenue in Lieu of Taxes | 16,375 | 0 | 16,375 |
| Charges for Services | 14,898 | 46,693 | 61,591 |
| Miscellaneous | 22,976 | 41,787 | 64,763 |
| <i>Total Revenues</i> | <u>6,607,557</u> | <u>473,305</u> | <u>7,080,862</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 201,848 | 1,638 | 203,486 |
| Vocational | 3,590,629 | 22,000 | 3,612,629 |
| Student Intervention Services | 0 | 44,383 | 44,383 |
| Support Services: | | | |
| Pupil | 216,237 | 113,272 | 329,509 |
| Instructional Staff | 95,551 | 37,199 | 132,750 |
| Board of Education | 36,479 | 0 | 36,479 |
| Administration | 530,513 | 9,300 | 539,813 |
| Fiscal | 289,571 | 0 | 289,571 |
| Operation and Maintenance of Plant | 538,964 | 1,976 | 540,940 |
| Central | 156,557 | 3,600 | 160,157 |
| Food Service Operations | 0 | 184,628 | 184,628 |
| Extracurricular Activities | 23,091 | 0 | 23,091 |
| Capital Outlay | 50,350 | 207,142 | 257,492 |
| Debt Service: | | | |
| Principal Retirement | 33,333 | 0 | 33,333 |
| Interest and Fiscal Charges | 0 | 12,975 | 12,975 |
| <i>Total Expenditures</i> | <u>5,763,123</u> | <u>638,113</u> | <u>6,401,236</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>844,434</u> | <u>(164,808)</u> | <u>679,626</u> |
| Other Financing Sources (Uses) | | | |
| Sale of Assets | 903 | 0 | 903 |
| Transfers In | 0 | 212,975 | 212,975 |
| Transfers Out | (212,975) | 0 | (212,975) |
| Total Other Financing Sources (Uses) | <u>(212,072)</u> | <u>212,975</u> | <u>903</u> |
| <i>Net Change in Fund Balances</i> | 632,362 | 48,167 | 680,529 |
| <i>Fund Balances Beginning of Year</i> | <u>1,230,159</u> | <u>235,831</u> | <u>1,465,990</u> |
| <i>Fund Balances End of Year</i> | <u>\$1,862,521</u> | <u>\$283,998</u> | <u>\$2,146,519</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, 2014*

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$680,529 |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because</i> | | |
| 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 | 296,233 | |
| Current Year Depreciation | <u>(122,083)</u> | |
| Total | | 174,150 |
| Capital assets removed from the capital asset account on the Statement of Net Positions results in a loss on disposal of capital assets on the Statement of Activities | | (4,339) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds: | | |
| Grants | (126) | |
| Property Taxes | (15,403) | |
| Revenue in Lieu of Taxes | <u>(16,375)</u> | |
| Total | | (31,904) |
| 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. | | |
| Accretion of Interest on Capital Appreciation Bonds | | (2,684) |
| 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. | | 33,333 |
| Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. | | (32,000) |
| The internal service fund used by management to charge the costs of insurance to individual funds is included in the Statement of Activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net income of the internal service fund is allocated among governmental activities. | | <u>99,817</u> |
| <i>Change in Net Position of Governmental Activities</i> | | <u><u>\$918,885</u></u> |

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, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|-----------------------------------------|--------------------|--------------------|--------------------|-------------------------------|
| Revenues | | | | |
| Property Taxes | \$1,714,024 | \$1,742,440 | \$1,742,431 | (\$9) |
| Intergovernmental | 4,521,291 | 4,625,000 | 4,624,992 | (8) |
| Interest | 6,225 | 7,020 | 6,973 | (47) |
| Tuition and Fees | 80,010 | 162,344 | 162,343 | (1) |
| Extracurricular Activities | 7,000 | 7,200 | 7,114 | (86) |
| Revenue in Lieu of Taxes | 16,375 | 16,376 | 16,375 | (1) |
| Charges for Services | 52,300 | 98,500 | 55,898 | (42,602) |
| Miscellaneous | 15,000 | 22,980 | 22,976 | (4) |
| <i>Total Revenues</i> | <u>6,412,225</u> | <u>6,681,860</u> | <u>6,639,102</u> | <u>(42,758)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 204,725 | 209,660 | 202,634 | 7,026 |
| Vocational | 3,847,567 | 3,988,341 | 3,651,871 | 336,470 |
| Support Services: | | | | |
| Pupil | 278,194 | 289,523 | 273,262 | 16,261 |
| Instructional Staff | 118,527 | 120,977 | 88,825 | 32,152 |
| Board of Education | 45,906 | 46,350 | 36,360 | 9,990 |
| Administration | 578,121 | 599,955 | 561,320 | 38,635 |
| Fiscal | 310,518 | 319,594 | 297,526 | 22,068 |
| Operation and Maintenance of Plant | 691,608 | 683,269 | 592,281 | 90,988 |
| Central | 147,077 | 177,668 | 176,060 | 1,608 |
| Operation of Non-Instructional Services | 200 | 200 | 0 | 200 |
| Extracurricular Activities | 32,693 | 36,220 | 26,370 | 9,850 |
| Capital Outlay | 27,571 | 50,450 | 50,350 | 100 |
| Debt Service: | | | | |
| Principal Retirement | 33,333 | 33,333 | 33,333 | 0 |
| <i>Total Expenditures</i> | <u>6,316,040</u> | <u>6,555,540</u> | <u>5,990,192</u> | <u>565,348</u> |
| Excess of Revenues Over Expenditures | <u>96,185</u> | <u>126,320</u> | <u>648,910</u> | <u>522,590</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Assets | 3,000 | 910 | 903 | (7) |
| Transfers Out | (12,975) | (212,975) | (212,975) | 0 |
| Total Other Financing Sources (Uses) | <u>(9,975)</u> | <u>(212,065)</u> | <u>(212,072)</u> | <u>(7)</u> |
| <i>Net Change in Fund Balance</i> | 86,210 | (85,745) | 436,838 | 522,583 |
| <i>Fund Balance Beginning of Year</i> | 1,683,185 | 1,683,185 | 1,683,185 | 0 |
| Prior Year Encumbrances Appropriated | <u>98,515</u> | <u>98,515</u> | <u>98,515</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$1,867,910</u> | <u>\$1,695,955</u> | <u>\$2,218,538</u> | <u>\$522,583</u> |

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

| | Governmental Activity <hr/> Internal Service Fund <hr/> |
|--------------------------------------------------------------------|---------------------------------------------------------------------|
| Operating Revenues | |
| Charges for Services | <u>\$287,623</u> |
| Operating Expenses | |
| Purchased Services | 69,681 |
| Claims | <u>118,133</u> |
| <i>Total Operating Expenses</i> | <u>187,814</u> |
| <i>Operating Income</i> | 99,809 |
| Non-Operating Revenues | |
| Interest | <u>8</u> |
| <i>Change in Net Position</i> | 99,817 |
| <i>Net Position (Deficit) Beginning of Year - Restated (Note3)</i> | <u>(99,817)</u> |
| <i>Net Position End of Year</i> | <u><u>\$0</u></u> |

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

| | Governmental Activity |
|----------------------------------------------------------------------------------------|--------------------------|
| | Internal Service Fund |
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Interfund Services | \$287,623 |
| Cash Payments for Goods and Services | (69,681) |
| Cash Payments for Claims | (201,388) |
| Other Operating Revenues | 109,166 |
| | 125,720 |
| <i>Net Cash Provided by Operating Activities</i> | 125,720 |
| Cash Flows from Noncapital Financing Activities | |
| Repayment of Interfund Loan | (125,728) |
| | (125,728) |
| <i>Net Cash Used for Noncapital Financing Activities</i> | (125,728) |
| Cash Flows from Investing Activities | |
| Interest | 8 |
| | 8 |
| <i>Net Cash Provided by Investing Activities</i> | 8 |
| <i>Net Change in Cash and Cash Equivalents</i> | 0 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 0 |
| <i>Cash and Cash Equivalents End of Year</i> | \$0 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income | \$99,809 |
| Decrease in Accounts Receivable | 96,413 |
| Decrease in Claims Payable | (70,502) |
| | \$125,720 |
| <i>Net Cash Provided by Operating Activities</i> | \$125,720 |

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

| | <u>Private Purpose Trust Fund</u> | <u>Agency</u> |
|--------------------------------------------|---------------------------------------|------------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$38,215</u> | <u>\$86,204</u> |
| <i>Total Assets</i> | <u>38,215</u> | <u><u>\$86,204</u></u> |
| Liabilities | | |
| Due to Students | <u>0</u> | <u>\$86,204</u> |
| <i>Total Liabilities</i> | <u>0</u> | <u><u>\$86,204</u></u> |
| Net Position | | |
| Held in Trust for Scholarships | <u>38,215</u> | |
| <i>Total Net Position</i> | <u><u>\$38,215</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, 2014

| | Private Purpose Trust Fund |
|---------------------------------------|-------------------------------|
| Additions | |
| Interest | \$81 |
| Contributions and Donations | 17,733 |
| Total Additions | 17,814 |
| Deductions | |
| Scholarships Awarded | 2,950 |
| <i>Change in Net Position</i> | 14,864 |
| <i>Net Position Beginning of Year</i> | 23,351 |
| <i>Net Position End of Year</i> | \$38,215 |

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, 2014

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 21 classified employees and 57 certificated employees to provide services to Belmont, Harrison, Jefferson, and Carroll County juniors and seniors. For fiscal year 2014, the average daily membership was 437.

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 six organizations; two jointly governed organizations, three insurance purchasing pools, one risk sharing, claims servicing, and insurance purchasing pool. These organizations include Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Coalition of Rural and Appalachian Schools (CORAS), the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) the Ohio School Plan (OSP), the Portage Area Schools Consortium (Consortium), the Jefferson Health Plan Self-Insurance Plan, formerly known as the Ohio-Mid Eastern Regional Educational Service Agency Self-Insurance Plan. These organizations are presented in Notes 16 and 17.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 below.

A. Basis of Presentation

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

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

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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.

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

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug, and dental claims. Effective October 1, 2013, the School District no longer participated with the self-insurance program.

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.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

D. Basis of Accounting

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

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

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 purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, no deferred outflows of resources are reported.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, revenue in lieu of taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

E. Cash and Cash Equivalents

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

The School District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2014. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold at June 30, 2014.

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 2014 amounted to \$6,973, which includes \$730 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Restricted Assets

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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.

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

H. Inventory

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Bond Premiums and Bond Issuance Costs

On the government wide financial statements bond premiums are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium.

On the governmental fund financial statements bond premiums, and bond issuance costs are recognized in the period in which the bonds are issued. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond issuance costs are expensed in the period the bonds are issued.

N. 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.

O. Fund Balance

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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.

P. 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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include local resources to be used for insurance premiums related to Underground Storage Tanks.

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

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

S. Estimates

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

T. Budgetary Data

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

NOTE 3 - RESTATEMENT OF NET POSITION

The School District restated net position for an account receivable related to a stop-loss reimbursement in the Self-Insurance Internal Service Fund that was received in September 2013. The restatement had no effect on fund balance. The restatement had the following effect on net position:

| | |
|------------------------------------------------------|--------------------------------------------------------|
| | Governmental Activities |
| Governmental Net Position, June 30, 2013 | \$2,217,171 |
| Restatement | 96,413 |
| Restated Governmental Net Position June 30, 2013 | <u>\$2,313,584</u> |
| | Governmental Activities Internal Service Fund |
| Proprietary Fund Net Position, June 30, 2013 | (\$196,230) |
| Restatement | 96,413 |
| Restated Proprietary Fund Net Position June 30, 2013 | <u>(\$99,817)</u> |

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, 2014

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

| | <u>General</u> |
|----------------------|-------------------------|
| GAAP Basis | \$632,362 |
| Revenue Accruals | 31,545 |
| Expenditure Accruals | (156,635) |
| Encumbrances | <u>(70,434)</u> |
| Budget Basis | <u><u>\$436,838</u></u> |

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the District's bank balance was \$2,852,512. Of the bank balance \$760,037 was covered by Federal Depository Insurance and the remaining balance of \$2,092,475 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

Investments

As of June 30, 2014, the School District had an investment in STAROhio. The fair value of STAROhio was \$1,466, and the investment has an average maturity of 51.4 days.

Interest Rate Risk. The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State Statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont, Harrison, Carroll and Jefferson Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 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, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes not levied to finance current year operations.

The amount available as an advance at June 30, 2014 was \$85,907 in the General Fund. The amount available as an advance at June 30, 2013 was \$68,003 in the General Fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

| | 2013 Second Half Collections | | 2014 First Half Collections | |
|--------------------------------------------|---------------------------------|----------------|--------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$993,324,950 | 92.10% | \$1,002,429,200 | 92.06% |
| Public Utility Personal | 85,258,480 | 7.90% | 86,498,930 | 7.94% |
| Total Assessed Value | <u>\$1,078,583,430</u> | <u>100.00%</u> | <u>\$1,088,928,130</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of assessed valuation | | \$1.45 | | \$1.45 |

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 7 – RECEIVABLES

Receivables at June 30, 2014, 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 \$123,467 may not be collected within in one year. All other receivables, with the exception of revenue in lieu of taxes, are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

| <u>Governmental Activities</u> | <u>Amount</u> |
|-------------------------------------------|-----------------|
| Title IIA Grant | \$10,300 |
| Rural Education Achievement Program Grant | 14,856 |
| | <u>\$25,156</u> |

On December 31, 2010 FirstEnergy Generation Corp (FirstEnergy) ceased operations of the R. E. Burger biomass plant located within the taxing authority of the School District. FirstEnergy, seeking to mitigate the tax revenue loss that the plant closure would have on the School District, entered into a personal property tax agreement with Belmont County on February 23, 2011. Under the agreement, FirstEnergy will pay a decreasing percentage of an established annual personal property tax of \$867,312 to Belmont County. The County will then distribute the payments accordingly to the School District and other government entities that would have received tax revenue from FirstEnergy. The agreement requires five annual payments. The first three annual payments have been received by the School District. Two annual payments remain, with the final payment being due on February 1, 2016. The total receivable is \$16,375, with \$5,458 that will not be collected within one year.

A breakdown of the payments is as follows:

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

NOTE 8 – TRANSFERS

Transfers

Interfund transfers for the fiscal year ended June 30, 2014 consisted of the following:

| <u>Transfer to</u> | <u>Transfer from</u> |
|--------------------------|----------------------|
| | <u>General Fund</u> |
| Other Governmental Funds | <u>\$212,975</u> |

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

| | Balance 6/30/13 | Additions | Deletions | Balance 6/30/14 |
|---------------------------------------|--------------------|-----------|-------------|--------------------|
| Nondepreciable Capital Assets: | | | | |
| Land | \$1,090,229 | \$0 | \$0 | \$1,090,229 |
| Construction in Progress | 573,685 | 0 | (573,685) | 0 |
| Total Nondepreciable Capital Assets | 1,663,914 | 0 | (573,685) | 1,090,229 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 97,724 | 0 | 0 | 97,724 |
| Buildings and Improvements | 4,495,117 | 775,643 | 0 | 5,270,760 |
| Furniture and Equipment | 1,547,119 | 94,275 | (70,509) | 1,570,885 |
| Vehicles | 166,681 | 0 | 0 | 166,681 |
| Total Depreciable Capital Assets | 6,306,641 | 869,918 | (70,509) | 7,106,050 |
| Accumulated Depreciation: | | | | |
| Land Improvements | (95,795) | (301) | 0 | (96,096) |
| Buildings and Improvements | (4,016,119) | (31,474) | 0 | (4,047,593) |
| Furniture and Equipment | (1,080,183) | (81,081) | 66,170 | (1,095,094) |
| Vehicles | (128,763) | (9,227) | 0 | (137,990) |
| Total Accumulated Depreciation | (5,320,860) | (122,083) | 66,170 | (5,376,773) |
| Total Depreciable Capital Assets, Net | 985,781 | 747,835 | (4,339) | 1,729,277 |
| Governmental Capital Assets, Net | \$2,649,695 | \$747,835 | (\$578,024) | \$2,819,506 |

Depreciation expense was charged to governmental activities as follows:

| | |
|-------------------------|------------------|
| Instruction: | |
| Vocational | \$110,253 |
| Support Services: | |
| Administration | 2,978 |
| Fiscal | 315 |
| Maintenance | 4,178 |
| Central | 2,590 |
| Food Service Operations | 1,769 |
| Total | <u>\$122,083</u> |

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 2014 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 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) | \$28,501,914 |
| Flood Coverage (\$25,000 Deductible) | 5,000,000 |

Commercial Auto Coverage:

| | |
|-------------------------------------|-----------|
| Auto Liability (\$1,000 Deductible) | 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 |
|-----------------|-----------|

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 |
|------------------------------------------------------------|---------|

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 2014, 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

For the Fiscal Year Ended June 30, 2014

C. Employee Benefits

Medical/surgical, prescription drug, life and dental insurance was offered to all employees through the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool through October 1, 2013. The School District continued to contract with the pool for payment of run-out claims through March 31, 2014.

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

| <u>Program</u> | <u>Beginning Balance</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|--------------------------------------|--------------------------|--------------------------------|----------------------------|-----------------------|
| Self Insurance - Health | | | | |
| 2013 | \$72,285 | \$674,299 | \$676,082 | \$70,502 |
| 2014 | 70,502 | 118,133 | 188,635 (1) | 0 |
| (1) Cash Payments for Claims | | | \$201,388 | |
| - Stop Loss Received for 2014 Claims | | | <u>(12,753)</u> | |
| Claims Payments | | | <u>\$188,635</u> | |

Effective October 1, 2013, the School District joined the Portage Area Schools Consortium for health insurance for the School District's employees. The Portage Area Schools 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 20 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 \$456.43 for individual coverage per month and \$1,299.78 for family coverage per month which represents 80 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. Prescription drug coverage is included with the medical/surgical premium. The Board's share of the 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.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$56,862, \$58,710, and \$58,861, respectively. For fiscal year 2014, 99.49 percent has been contributed, with the balance being reflected as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

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

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$378,452 and \$12,264 for the fiscal year ended June 30, 2014, \$373,138 and \$5,532 for the fiscal year ended June 30, 2013, and \$409,040 and \$5,301 for the fiscal year ended June 30, 2012. For fiscal year 2014, 71.06 percent has been contributed for the DB plan and 71.06 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$7,195 made by the School District and \$5,653 made by the plan members. In addition, member contributions of \$9,636 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$10,038 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$610, \$720, and \$2,364, respectively. For fiscal year 2014, 99.49 percent has been contributed, with the balance being reflected as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$3,311, \$3,329, and \$3,476 respectively. For fiscal year 2014, 99.49 percent has been contributed, with the balance being reflected as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$25,129, \$24,991, and \$27,129 respectively. For fiscal year 2014, 71.06 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

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.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 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 \$14.77, single and \$33.42, family, respectively per month, which represents 90 percent of the total premium.

NOTE 14 – COMMITMENTS

A. Construction Commitments

On February 18, 2013, the School District entered into an agreement with Constellation New Energy Inc., in the amount of \$682,575 for completion of a House Bill 264 Energy Conservation and School Improvement Project. Funding for the project consisted of revenue from the Energy Conservation and School Improvement Bonds. As of June 30, 2014 the District had the following contractual commitment:

| <u>Contractor</u> | <u>Purchase Commitment</u> | <u>Amount Paid as of 6/30/14</u> | <u>Amount Remaining on Contract</u> |
|--------------------------------|--------------------------------|--------------------------------------|-----------------------------------------|
| Constellation New Energy, Inc. | <u>\$727,843</u> | <u>\$659,585</u> | <u>\$68,258</u> |

B. Encumbrances

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

| | |
|------------------------------------|-----------------|
| General | \$70,434 |
| Other Non-major Governmental Funds | <u>300</u> |
| Total | <u>\$70,734</u> |

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 15 – LONG - TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2014 were as follows:

| | Outstanding 6/30/13 | Additions | Reductions | Outstanding 6/30/14 | Amounts Due Within One Year |
|---------------------------------------------------------------------|------------------------|-----------|------------|------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| 2004 Vocational School Building Assistance Loan - \$500,000 @ 0% | \$200,003 | \$0 | \$33,333 | \$166,670 | \$33,333 |
| 2013 Energy Conservation and School Improvement Bonds | | | | | |
| Term Bonds \$680,000 @ 1.0% - 2.5% | 680,000 | 0 | 0 | 680,000 | 35,000 |
| Capital Appreciation Bonds \$2,575 @ 1.5% | 2,575 | 0 | 0 | 2,575 | 0 |
| Accretion of Interest \$48,288 | 558 | 2,684 | 0 | 3,242 | 0 |
| Premium \$31,726 | 31,065 | 0 | 1,983 | 29,082 | 0 |
| Total 2013 Energy Conservation and School Improvement Bonds | 714,198 | 2,684 | 1,983 | 714,899 | 35,000 |
| Compensated Absences | 959,262 | 112,134 | 80,134 | 991,262 | 59,147 |
| Total Governmental Activities | \$1,873,463 | \$114,818 | \$115,450 | \$1,872,831 | \$127,480 |

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

Principal requirements to retire the vocational school building assistance loan outstanding at June 30, 2014 are as follows:

| Fiscal Year Ending June 30 | Principal |
|-------------------------------|-----------|
| 2015 | \$33,333 |
| 2016 | 33,334 |
| 2017 | 33,334 |
| 2018 | 33,334 |
| 2019 | 33,335 |
| Total | \$166,670 |

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

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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

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

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

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

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

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

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

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

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

The Term Bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the and in the respective principal amounts as follows:

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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

The capital appreciation bonds were sold at an original principal amount of \$2,575, with a maturity date of December 1, 2017. At maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$50,863. The accretion recorded for fiscal year 2014 is \$2,684 for a total bond liability of \$5,817. The accretion will continue to be recorded over the life of the bonds.

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

| Fiscal Year Ending June 30 | Term Bonds | | Capital Appreciation Bonds | | Total | |
|-------------------------------|------------------|------------------|----------------------------|-----------------|------------------|------------------------|
| | Principal | Interest | Principal | Accretion | Principal | Accretion/ Interest |
| 2015 | \$35,000 | \$12,975 | \$0 | \$0 | \$35,000 | \$12,975 |
| 2016 | 45,000 | 12,625 | 0 | 0 | 45,000 | 12,625 |
| 2017 | 45,000 | 12,175 | 0 | 0 | 45,000 | 12,175 |
| 2018 | 0 | 5,863 | 2,575 | 48,288 | 2,575 | 54,151 |
| 2019 | 45,000 | 11,725 | 0 | 0 | 45,000 | 11,725 |
| 2020-2024 | 245,000 | 47,300 | 0 | 0 | 245,000 | 47,300 |
| 2025-2029 | 265,000 | 20,250 | 0 | 0 | 265,000 | 20,250 |
| Total | \$680,000 | \$122,913 | \$2,575 | \$48,288 | \$682,575 | \$171,201 |

The School District's overall legal debt margin was \$97,154,287, with an unvoted debt margin of \$1,088,928, at June 30, 2014.

Compensated absences will be paid from the General Fund.

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

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 2014, the total amount paid to OME-RESA from the School District was \$460 for cooperative gas purchasing service administrative fees, \$23,008 for technology services and \$10,783 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 2014.

NOTE 17 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP) – The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District’s enrollment fee of \$530 for policy year 2014 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.

The Portage Area School Consortium (the 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.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

The Jefferson Health Plan Self-Insurance Plan – The School District participated in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans’ assembly. The Plans’ business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants’ actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life. Effective October 1, 2013, the School District no longer participated with The Jefferson Health Plan Self-Insurance Plan.

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, 2013 | \$0 |
| Current Year Set-aside Requirement | 73,724 |
| Current Year Qualifying Expenditures | <u>(187,536)</u> |
| Totals | <u>(\$113,812)</u> |
| Balance Carried Forward to Fiscal Year 2015 | <u>\$0</u> |
| Set-aside Restricted Balance as of June 30, 2014 | <u><u>\$0</u></u> |

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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.

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, 2014.

B. Litigation

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

**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
110 Fox-Shannon Place
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 Belmont Harrison Vocational School District, Belmont County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2015.

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
December 1, 2015

**BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2014**

| Finding Number | Finding Summary | Fully Corrected | Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|-----------------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------|
| 2013-001 | ORC 5705.10(H) Deficit cash fund balance in the Self-Insurance Fund by AOS, not GAAP | Yes | Finding No Longer Valid |



Dave Yost • Auditor of State

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
MARCH 29, 2016**