

**BELMONT-HARRISON JOINT VOCATIONAL SCHOOL DISTRICT**

**ANNUAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Belmont-Harrison Joint Vocational School District, Belmont County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 13, 2010

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

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Joint Vocational School District, Belmont County as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Joint Vocational School District, Belmont County as of June 30, 2008, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2009, on our consideration of Belmont-Harrison Joint Vocational School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
November 24, 2009

**Belmont-Harrison Joint Vocational School District**

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**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

*Unaudited*

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The discussion and analysis of the Belmont-Harrison Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets decreased \$223,660.
- General revenues accounted for \$5,614,012 in revenue or 84 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,102,045 or 16 percent of total revenues of \$6,716,057.
- Total assets of governmental activities decreased \$267,198 primarily due to decreased cash and cash equivalents which was offset by a net increase in capital assets.
- The School District had \$6,939,717 in expenses related to governmental activities; only \$1,102,045 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,614,012 were not adequate to provide for these programs.
- The School District has one major fund, the General Fund. The General Fund had \$6,202,438 in revenues and \$6,331,200 in expenditures. Overall, the General Fund's balance decreased \$128,762.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Belmont-Harrison Vocational School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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



**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

**Belmont-Harrison Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

**Table 1**  
**Net Assets**

|                            | <b>Governmental Activities</b> |                    |                    |
|----------------------------|--------------------------------|--------------------|--------------------|
|                            | <b>2008</b>                    | <b>2007</b>        | <b>Change</b>      |
| <b>Assets</b>              |                                |                    |                    |
| Current and Other Assets   | \$3,169,202                    | \$3,652,548        | (\$483,346)        |
| Capital Assets             | 2,181,626                      | 1,965,478          | 216,148            |
| <b>Total Assets</b>        | <b>5,350,828</b>               | <b>5,618,026</b>   | <b>(267,198)</b>   |
| <b>Liabilities</b>         |                                |                    |                    |
| Long-Term Liabilities      | 1,694,145                      | 1,668,107          | 26,038             |
| Other Liabilities          | 2,042,283                      | 2,111,859          | (69,576)           |
| <b>Total Liabilities</b>   | <b>3,736,428</b>               | <b>3,779,966</b>   | <b>(43,538)</b>    |
| <b>Net Assets</b>          |                                |                    |                    |
| Invested in Capital Assets | 1,814,958                      | 1,965,478          | (150,520)          |
| Restricted                 | 198,595                        | 158,424            | 40,171             |
| Unrestricted (Deficit)     | (399,153)                      | (285,842)          | (113,311)          |
| <b>Total Net Assets</b>    | <b>\$1,614,400</b>             | <b>\$1,838,060</b> | <b>(\$223,660)</b> |

Total assets of governmental activities decreased \$267,198 primarily due to decreased cash and cash equivalents which was offset by an increase in capital assets.

Total liabilities decreased \$43,538. Other liabilities decreased and was offset by an increase in long-term liabilities due primarily to increased compensated absences that was offset by the scheduled fiscal year 2008 repayment made on the zero percent interest Vocational School Building Assistance Loan.

**Belmont-Harrison Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

**Table 2**  
**Changes in Net Assets**

|  | <b>Governmental Activities</b> |                    | <b>Change</b>      |
|--|--------------------------------|--------------------|--------------------|
|  | <b>2008</b>                    | <b>2007</b>        |                    |
| <b>Revenues</b>  |                                |                    |                    |
| Program Revenues   |                                |                    |                    |
| Charges for Services   | \$186,288                      | \$218,628          | (\$32,340)         |
| Operating Grants and Contributions                             | 915,757                        | 835,929            | 79,828             |
| <b>Total Program Revenues</b>                                  | <b>1,102,045</b>               | <b>1,054,557</b>   | <b>47,488</b>      |
| General Revenues   |                                |                    |                    |
| Property Taxes   | 1,562,206                      | 1,595,036          | (32,830)           |
| Grants and Entitlements not Restricted<br>to Specific Programs | 3,966,419                      | 3,867,508          | 98,911             |
| Investments  | 66,918                         | 80,005             | (13,087)           |
| Other  | 18,469                         | 9,800              | 8,669              |
| <b>Total General Revenues</b>                                  | <b>5,614,012</b>               | <b>5,552,349</b>   | <b>61,663</b>      |
| <b>Total Revenues</b>  | <b>6,716,057</b>               | <b>6,606,906</b>   | <b>109,151</b>     |
| <b>Program Expenses</b>  |                                |                    |                    |
| Instruction  |                                |                    |                    |
| Regular  | 203,703                        | 201,410            | 2,293              |
| Vocational   | 3,948,147                      | 3,780,681          | 167,466            |
| Support Services   |                                |                    |                    |
| Pupils   | 727,507                        | 945,197            | (217,690)          |
| Instructional Staff  | 212,937                        | 84,089             | 128,848            |
| Board of Education   | 36,845                         | 34,212             | 2,633              |
| Administration   | 558,192                        | 550,787            | 7,405              |
| Fiscal   | 277,996                        | 255,626            | 22,370             |
| Operation and Maintenance of Plant                             | 591,050                        | 605,798            | (14,748)           |
| Central  | 154,604                        | 147,094            | 7,510              |
| Food Service Operations  | 197,395                        | 184,251            | 13,144             |
| Extracurricular Activities                                     | 31,341                         | 33,447             | (2,106)            |
| <b>Total Expenses</b>  | <b>6,939,717</b>               | <b>6,822,592</b>   | <b>117,125</b>     |
| <b>Decrease in Net Assets</b>                                  | <b>(223,660)</b>               | <b>(215,686)</b>   | <b>(7,974)</b>     |
| Net Assets Beginning of Year                                   | 1,838,060                      | 2,053,746          | (215,686)          |
| <b>Net Assets End of Year</b>                                  | <b>\$1,614,400</b>             | <b>\$1,838,060</b> | <b>(\$223,660)</b> |

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

*Unaudited*

In 2008, 23 percent of the School District's revenues were from property taxes and 59 percent were from unrestricted grants and entitlements. Property taxes decreased slightly from fiscal year 2007. Unrestricted grants and entitlements increased by \$98,911 due primarily to an increase in Federal Programs.

Instructional programs comprise approximately 60 percent of total governmental program expenses. Overall, program expense of the School District increased slightly by \$117,125.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2008 as compared to 2007. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

|                                    | <u>Total Cost of Service</u> |                           | <u>Net Cost of Services</u> |                           |
|------------------------------------|------------------------------|---------------------------|-----------------------------|---------------------------|
|                                    | <u>2008</u>                  | <u>2007</u>               | <u>2008</u>                 | <u>2007</u>               |
| Instruction                        |                              |                           |                             |                           |
| Regular                            | \$203,703                    | \$201,410                 | \$193,930                   | \$148,452                 |
| Vocational                         | 3,948,147                    | 3,780,681                 | 3,308,501                   | 3,225,225                 |
| Support Services                   |                              |                           |                             |                           |
| Pupils                             | 727,507                      | 945,197                   | 541,236                     | 755,602                   |
| Instructional Staff                | 212,937                      | 84,089                    | 168,373                     | 41,172                    |
| Board of Education                 | 36,845                       | 34,212                    | 36,845                      | 34,212                    |
| Administration                     | 558,192                      | 550,787                   | 548,196                     | 535,694                   |
| Fiscal                             | 277,996                      | 255,626                   | 277,996                     | 255,626                   |
| Operation and Maintenance of Plant | 591,050                      | 605,798                   | 590,527                     | 605,332                   |
| Central                            | 154,604                      | 147,094                   | 143,848                     | 136,415                   |
| Food Service Operations            | 197,395                      | 184,251                   | 8,748                       | 10,236                    |
| Extracurricular Activities         | 31,341                       | 33,447                    | 19,472                      | 20,069                    |
| <b><i>Total Expenses</i></b>       | <b><u>\$6,939,717</u></b>    | <b><u>\$6,822,592</u></b> | <b><u>\$5,837,672</u></b>   | <b><u>\$5,768,035</u></b> |

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

**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 General fund has \$ 6,202,438 in revenue and \$6,331,200 in expenditures. The General Fund's balance decreased \$128,762.

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited*

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**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 2008 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were significant changes between the original and final budgeted appropriations resulting from original appropriations amounts for vocational instruction being higher than the final as the School District over estimated costs. The results of operations varied from final budgeted amounts as actual expenditures were significantly less than budgeted due to mid-year retirements and reduced spending for vocational supplies and equipment.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2008 the School District had \$2,181,626 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

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

**Debt**

At June 30, 2008, the School District had an outstanding loan that was originally issued in the amount of \$500,000 from the vocational school building assistance loan program. The School District made the scheduled principal repayment during fiscal year 2008.

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

|   | <b>Governmental Activities</b> |                  |
|---|--------------------------------|------------------|
|   | <b>2008</b>                    | <b>2007</b>      |
| 2004 Vocational School Building Assistance Loan | <u>\$366,668</u>               | <u>\$400,001</u> |

See Note 14 for more information regarding debt.

**Economic Factors**

With career tech weighted funds, the School District is able to provide for all supply and equipment instructional needs of the vocational students. The students do not pay any school fees and are provided any required uniforms at no cost.

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

*Unaudited*

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**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 Alexis Petrilla, Treasurer/CFO at Belmont-Harrison Vocational School District, 110 Fox Shannon Place, St. Clairsville, Ohio 43950.

# **Basic Financial Statements**

**Belmont-Harrison Vocational School District**  
*Statement of Net Assets*  
*June 30, 2008*

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>                                   |                                    |
| Equity in Pooled Cash and Cash Equivalents      | \$1,252,389                        |
| Intergovernmental Receivable                    | 62,915                             |
| Prepaid Items                                   | 25,271                             |
| Materials and Supplies Inventory                | 25,535                             |
| Accrued Interest Receivable                     | 10,375                             |
| Property Taxes Receivable                       | 1,669,844                          |
| Cash and Cash Equivalents with Fiscal Agents    | 122,873                            |
| Non-Depreciable Capital Assets                  | 1,090,229                          |
| Depreciable Capital Assets, Net                 | <u>1,091,397</u>                   |
| <i>Total Assets</i>                             | <u>5,350,828</u>                   |
| <b>Liabilities</b>                              |                                    |
| Accounts Payable                                | 19,708                             |
| Accrued Wages and Benefits Payable              | 551,546                            |
| Intergovernmental Payable                       | 82,426                             |
| Contracts Payable                               | 14,696                             |
| Claims Payable                                  | 37,112                             |
| Deferred Revenue                                | 1,336,795                          |
| Long-Term Liabilities:                          |                                    |
| Due Within One Year                             | 78,673                             |
| Due In More Than One Year                       | <u>1,615,472</u>                   |
| <i>Total Liabilities</i>                        | <u>3,736,428</u>                   |
| <b>Net Assets</b>                               |                                    |
| Invested in Capital Assets, Net of Related Debt | 1,814,958                          |
| Restricted For:                                 |                                    |
| Capital Projects                                | 139,460                            |
| Budget Stabilization                            | 22,817                             |
| State Programs                                  | 1,001                              |
| Federal Programs                                | 11,999                             |
| Food Service Operations                         | 8,361                              |
| Other Purposes                                  | 14,957                             |
| Unrestricted (Deficit)                          | <u>(399,153)</u>                   |
| <i>Total Net Assets</i>                         | <u><u>\$1,614,400</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, 2008

|   | Program Revenues   |                                   |                                       | Net (Expense) Revenue<br>and Changes in Net Assets |
|---|--------------------|-----------------------------------|---------------------------------------|--|
|   | Expenses           | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Governmental<br>Activities                         |
| <b>Governmental Activities</b>                              |                    |                                   |                                       |  |
| Instruction:  |                    |                                   |                                       |  |
| Regular   | \$203,703          | \$0                               | \$9,773                               | (\$193,930)  |
| Vocational  | 3,948,147          | 115,383                           | 524,263                               | (3,308,501)  |
| Support Services:   |                    |                                   |                                       |  |
| Pupil   | 727,507            | 0                                 | 186,271                               | (541,236)  |
| Instructional Staff   | 212,937            | 0                                 | 44,564                                | (168,373)  |
| Board of Education  | 36,845             | 0                                 | 0                                     | (36,845)   |
| Administration  | 558,192            | 3,653                             | 6,343                                 | (548,196)  |
| Fiscal  | 277,996            | 0                                 | 0                                     | (277,996)  |
| Operation and Maintenance of Plant                          | 591,050            | 523                               | 0                                     | (590,527)  |
| Central   | 154,604            | 0                                 | 10,756                                | (143,848)  |
| Food Service Operations                                     | 197,395            | 54,860                            | 133,787                               | (8,748)  |
| Extracurricular Activities                                  | 31,341             | 11,869                            | 0                                     | (19,472)   |
| <i>Total Governmental Activities</i>                        | <u>\$6,939,717</u> | <u>\$186,288</u>                  | <u>\$915,757</u>                      | <u>(5,837,672)</u>                                 |
| <b>General Revenues</b>                                     |                    |                                   |                                       |  |
|   |                    |                                   |                                       | 1,562,206  |
| Property Taxes Levied for General Purposes                  |                    |                                   |                                       | 3,966,419  |
| Grants and Entitlements not Restricted to Specific Programs |                    |                                   |                                       | 66,918   |
| Investment Earnings   |                    |                                   |                                       | 18,469   |
| Miscellaneous   |                    |                                   |                                       | <u>5,614,012</u>                                   |
| <i>Total General Revenues</i>                               |                    |                                   |                                       |  |
|   |                    |                                   |                                       | (223,660)  |
| Change in Net Assets  |                    |                                   |                                       | <u>1,838,060</u>                                   |
| <i>Net Assets Beginning of Year</i>                         |                    |                                   |                                       | <u>\$1,614,400</u>                                 |
| <i>Net Assets End of Year</i>                               |                    |                                   |                                       |  |

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**

*Balance Sheet  
Governmental Funds  
June 30, 2008*

|  | <u>General</u>            | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------------|---|---|
| <b>Assets</b>                              |                           |   |   |
| Equity in Pooled Cash and Cash Equivalents | \$1,010,958               | \$207,614                               | \$1,218,572                             |
| Restricted Assets:                         |                           |   |   |
| Equity in Pooled Cash and Cash Equivalents | 33,817                    | 0                                       | 33,817                                  |
| Receivables:                               |                           |   |   |
| Property Taxes                             | 1,669,844                 | 0                                       | 1,669,844                               |
| Intergovernmental                          | 0                         | 62,915                                  | 62,915                                  |
| Accrued Interest                           | 10,375                    | 0                                       | 10,375                                  |
| Interfund                                  | 40,000                    | 0                                       | 40,000                                  |
| Prepaid Items                              | 25,271                    | 0                                       | 25,271                                  |
| Materials and Supplies Inventory           | 24,544                    | 991                                     | 25,535                                  |
| <i>Total Assets</i>                        | <u><u>\$2,814,809</u></u> | <u><u>\$271,520</u></u>                 | <u><u>\$3,086,329</u></u>               |
| <b>Liabilities and Fund Balances</b>       |                           |   |   |
| <b>Liabilities</b>                         |                           |   |   |
| Accounts Payable                           | \$18,739                  | \$969                                   | \$19,708                                |
| Contracts Payable                          | 0                         | 14,696                                  | 14,696                                  |
| Accrued Wages and Benefits                 | 528,474                   | 23,072                                  | 551,546                                 |
| Interfund Payable                          | 0                         | 40,000                                  | 40,000                                  |
| Intergovernmental Payable                  | 75,830                    | 6,596                                   | 82,426                                  |
| Deferred Revenue                           | 1,519,696                 | 22,854                                  | 1,542,550                               |
| <i>Total Liabilities</i>                   | <u><u>2,142,739</u></u>   | <u><u>108,187</u></u>                   | <u><u>2,250,926</u></u>                 |
| <b>Fund Balances</b>                       |                           |   |   |
| Reserved for Encumbrances                  | 145,144                   | 3,727                                   | 148,871                                 |
| Reserved for Property Taxes                | 160,523                   | 0                                       | 160,523                                 |
| Reserved for Budget Stabilization          | 22,817                    | 0                                       | 22,817                                  |
| Reserved for Underground Storage Tank      | 11,000                    | 0                                       | 11,000                                  |
| Unreserved, Undesignated, Reported in:     |                           |   |   |
| General Fund                               | 332,586                   | 0                                       | 332,586                                 |
| Special Revenue Funds                      | 0                         | 20,146                                  | 20,146                                  |
| Capital Projects Funds                     | 0                         | 139,460                                 | 139,460                                 |
| <i>Total Fund Balances</i>                 | <u><u>672,070</u></u>     | <u><u>163,333</u></u>                   | <u><u>835,403</u></u>                   |
| <i>Total Liabilities and Fund Balances</i> | <u><u>\$2,814,809</u></u> | <u><u>\$271,520</u></u>                 | <u><u>\$3,086,329</u></u>               |

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2008*

**Total Governmental Fund Balances** \$835,403

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

Capital assets used in governmental activities are not financial  
resources and therefore are deferred in the funds. 2,181,626

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

|                |               |
|----------------|---------------|
| Grants         | 22,854        |
| Property Taxes | 172,526       |
| Interest       | <u>10,375</u> |

Total 205,755

An internal service fund is used by management to charge the costs of  
insurance to individual funds. The assets and liabilities of the internal  
service fund are included in governmental activities in the statement of net assets. 85,761

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

|  |                |
|--|----------------|
| Compensated Absences                       | 1,327,477      |
| Vocational School Building Assistance Loan | <u>366,668</u> |

Total (1,694,145)

*Net Assets of Governmental Activities* \$1,614,400

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, 2008*

|  | General          | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>  |                  |                                |                                |
| Property Taxes   | \$1,549,924      | \$0                            | \$1,549,924                    |
| Intergovernmental  | 4,441,448        | 429,443                        | 4,870,891                      |
| Interest   | 73,561           | 0                              | 73,561                         |
| Tuition and Fees   | 93,753           | 0                              | 93,753                         |
| Rent   | 12,000           | 0                              | 12,000                         |
| Extracurricular Activities                                 | 3,653            | 11,869                         | 15,522                         |
| Charges for Services                                       | 9,630            | 55,383                         | 65,013                         |
| Miscellaneous  | 18,469           | 0                              | 18,469                         |
| <i>Total Revenues</i>                                      | <u>6,202,438</u> | <u>496,695</u>                 | <u>6,699,133</u>               |
| <b>Expenditures</b>  |                  |                                |                                |
| Current:   |                  |                                |                                |
| Instruction:   |                  |                                |                                |
| Regular  | 202,722          | 9,642                          | 212,364                        |
| Vocational   | 3,728,812        | 48,239                         | 3,777,051                      |
| Support Services:  |                  |                                |                                |
| Pupil  | 733,346          | 182,506                        | 915,852                        |
| Instructional Staff  | 15,802           | 43,723                         | 59,525                         |
| Board of Education   | 36,908           | 0                              | 36,908                         |
| Administration   | 545,239          | 6,215                          | 551,454                        |
| Fiscal   | 275,182          | 0                              | 275,182                        |
| Operation and Maintenance of Plant                         | 594,377          | 361,070                        | 955,447                        |
| Central  | 147,048          | 11,000                         | 158,048                        |
| Food Service Operations                                    | 716              | 190,601                        | 191,317                        |
| Extracurricular Activities                                 | 17,715           | 14,097                         | 31,812                         |
| Debt Service:  |                  |                                |                                |
| Principal Retirement                                       | 33,333           | 0                              | 33,333                         |
| <i>Total Expenditures</i>                                  | <u>6,331,200</u> | <u>867,093</u>                 | <u>7,198,293</u>               |
| <i>Net Change in Fund Balances</i>                         | (128,762)        | (370,398)                      | (499,160)                      |
| <i>Fund Balances Beginning of Year - Restated (Note 3)</i> | <u>800,832</u>   | <u>533,731</u>                 | <u>1,334,563</u>               |
| <i>Fund Balances End of Year</i>                           | <u>\$672,070</u> | <u>\$163,333</u>               | <u>\$835,403</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, 2008*

**Net Change in Fund Balances - Total Governmental Funds** (\$499,160)

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

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

|                           |           |         |
|---------------------------|-----------|---------|
| Capital Asset Additions   | 401,055   |         |
| Current Year Depreciation | (184,490) |         |
| Total                     | 216,565   | 216,565 |

Capital assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities (417)

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

|                |         |        |
|----------------|---------|--------|
| Grants         | 11,285  |        |
| Property Taxes | 12,282  |        |
| Interest       | (9,606) |        |
| Total          | 13,961  | 13,961 |

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities 33,333

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  
Compensated Absences Payable (59,371)

The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among governmental activities. 71,429

*Change in Net Assets of Governmental Activities* (\$223,660)

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, 2008*

|   | Original<br>Budget | Final Budget     | Actual           | Variance with<br>Final Budget |
|---|--------------------|------------------|------------------|-------------------------------|
| <b>Revenues</b>                         |                    |                  |                  |                               |
| Property Taxes                          | \$1,526,150        | \$1,526,150      | \$1,529,949      | \$3,799                       |
| Intergovernmental                       | 4,441,957          | 4,441,957        | 4,441,448        | (509)                         |
| Interest                                | 74,570             | 74,570           | 73,561           | (1,009)                       |
| Tuition and Fees                        | 95,630             | 175,630          | 93,753           | (81,877)                      |
| Rent                                    | 12,000             | 12,000           | 12,000           | 0                             |
| Extracurricular Activities              | 4,000              | 4,000            | 3,653            | (347)                         |
| Contributions and Donations             | 500                | 500              | 0                | (500)                         |
| Charges for Services                    | 14,900             | 14,900           | 9,630            | (5,270)                       |
| Miscellaneous                           | 15,200             | 15,200           | 18,453           | 3,253                         |
| <i>Total Revenues</i>                   | <u>6,184,907</u>   | <u>6,264,907</u> | <u>6,182,447</u> | <u>(82,460)</u>               |
| <b>Expenditures</b>                     |                    |                  |                  |                               |
| Current:                                |                    |                  |                  |                               |
| Instruction:                            |                    |                  |                  |                               |
| Regular                                 | 256,486            | 260,821          | 192,651          | 68,170                        |
| Vocational                              | 4,319,712          | 4,211,959        | 3,824,148        | 387,811                       |
| Support Services:                       |                    |                  |                  |                               |
| Pupils                                  | 752,974            | 772,873          | 736,163          | 36,710                        |
| Instructional Staff                     | 15,000             | 15,802           | 15,802           | 0                             |
| Board of Education                      | 42,700             | 47,100           | 36,041           | 11,059                        |
| Administration                          | 559,865            | 565,488          | 545,004          | 20,484                        |
| Fiscal                                  | 290,384            | 300,180          | 287,046          | 13,134                        |
| Operation and Maintenance of Plant      | 689,711            | 725,790          | 609,321          | 116,469                       |
| Central                                 | 184,741            | 194,741          | 159,673          | 35,068                        |
| Operation of Non-Instructional Services | 1,000              | 1,500            | 716              | 784                           |
| Extracurricular Activities              | 28,950             | 28,951           | 17,715           | 11,236                        |
| Debt Service:                           |                    |                  |                  |                               |
| Principal Retirement                    | 33,334             | 50,000           | 50,000           | 0                             |
| <i>Total Expenditures</i>               | <u>7,174,857</u>   | <u>7,175,205</u> | <u>6,474,280</u> | <u>700,925</u>                |
| Excess of Revenues Under Expenditures   | <u>(989,950)</u>   | <u>(910,298)</u> | <u>(291,833)</u> | <u>618,465</u>                |
| <b>Other Financing Sources (Uses)</b>   |                    |                  |                  |                               |
| Advances In                             | 35,000             | 35,000           | 35,000           | 0                             |
| Advances Out                            | (45,000)           | (45,000)         | (35,000)         | 10,000                        |
| Total Other Financing Sources (Uses)    | <u>(10,000)</u>    | <u>(10,000)</u>  | <u>0</u>         | <u>10,000</u>                 |
| <i>Net Change in Fund Balance</i>       | <u>(999,950)</u>   | <u>(920,298)</u> | <u>(291,833)</u> | <u>628,465</u>                |
| <i>Fund Balance Beginning of Year</i>   | 1,103,702          | 1,103,702        | 1,103,702        | 0                             |
| Prior Year Encumbrances Appropriated    | <u>52,357</u>      | <u>52,357</u>    | <u>52,357</u>    | <u>0</u>                      |
| <i>Fund Balance End of Year</i>         | <u>\$156,109</u>   | <u>\$235,761</u> | <u>\$864,226</u> | <u>\$628,465</u>              |

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2008*

|  | Governmental<br>Activity |
|--|--------------------------|
|  | Internal Service<br>Fund |
| <b>Current Assets:</b>                       |                          |
| Cash and Cash Equivalents with Fiscal Agents | \$122,873                |
| <b>Current Liabilities</b>                   |                          |
| Claims Payable                               | 37,112                   |
| <b>Net Assets</b>                            |                          |
| Unrestricted                                 | 85,761                   |
| <i>Total Net Assets</i>                      | \$85,761                 |

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2008*

|                                     | <u>Governmental<br/>Activity</u><br><u>Internal Service<br/>Fund</u> |
|-------------------------------------|--|
| <b>Operating Revenues</b>           |  |
| Charges for Services                | \$812,042  |
| Miscellaneous                       | 12,977   |
|                                     | <hr/>  |
| <i>Total Operating Revenues</i>     | 825,019  |
|                                     | <hr/>  |
| <b>Operating Expenses</b>           |  |
| Purchased Services                  | 186,691  |
| Claims                              | 569,201  |
| Other                               | 661  |
|                                     | <hr/>  |
| <i>Total Operating Expenses</i>     | 756,553  |
|                                     | <hr/>  |
| <i>Operating Income</i>             | 68,466   |
|                                     | <hr/>  |
| <b>Non-Operating Revenues</b>       |  |
| Interest                            | 2,963  |
|                                     | <hr/>  |
| <i>Change in Net Assets</i>         | 71,429   |
|                                     | <hr/>  |
| <i>Net Assets Beginning of Year</i> | 14,332   |
|                                     | <hr/>  |
| <i>Net Assets End of Year</i>       | \$85,761   |
|                                     | <hr/> <hr/>  |

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, 2008*

|  | Governmental<br>Activity |
|--|--------------------------|
|  | Internal Service<br>Fund |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                                |                          |
| <b>Cash Flows from Operating Activities</b>  |                          |
| Cash Received from Interfund Services  | \$812,042                |
| Cash Payments for Goods and Services   | (186,691)                |
| Cash Payments for Claims   | (579,973)                |
| Other Operating Expenses   | (661)                    |
| Other Operating Revenues   | 12,977                   |
|  | 12,977                   |
| <i>Net Cash Provided by Operating Activities</i>                                       | 57,694                   |
| <b>Cash Flows from Investing Activities</b>  |                          |
| Interest   | 2,963                    |
|  | 2,963                    |
| <i>Net Cash Provided by Investing Activities</i>                                       | 2,963                    |
| <i>Net Increase in Cash and Cash Equivalents</i>                                       | 60,657                   |
| <i>Cash and Cash Equivalents Beginning of Year</i>                                     | 62,216                   |
| <i>Cash and Cash Equivalents End of Year</i>   | \$122,873                |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b> |                          |
| Operating Income   | \$68,466                 |
| Decrease in Liabilities:   |                          |
| Claim Payable  | (10,772)                 |
|  | (10,772)                 |
| <i>Net Cash Provided by Operating Activities</i>                                       | \$57,694                 |
| See accompanying notes to the basic financial statements                               |                          |

**Belmont-Harrison Vocational School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

|  | Private Purpose<br>Trust Fund | Agency   |
|--|-------------------------------|----------|
| <b>Assets</b>                              |                               |          |
| Equity in Pooled Cash and Cash Equivalents | \$20,122                      | \$52,561 |
| <i>Total Assets</i>                        | 20,122                        | \$52,561 |
| <b>Liabilities</b>                         |                               |          |
| Due to Students                            | 0                             | \$52,561 |
| <i>Total Liabilities</i>                   | 0                             | \$52,561 |
| <b>Net Assets</b>                          |                               |          |
| Held in Trust for Scholarships             | 20,122                        |          |
| <i>Total Net Assets</i>                    | \$20,122                      |          |

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2008*

|                                     | Private Purpose<br>Trust Fund |
|-------------------------------------|-------------------------------|
| <b>Additions</b>                    |                               |
| Interest                            | \$567                         |
| Contributions and Donations         | 10,886                        |
| Total Additions                     | 11,453                        |
| <b>Deductions</b>                   |                               |
| Scholarships Awarded                | 10,878                        |
| <i>Change in Net Assets</i>         | 575                           |
| <i>Net Assets Beginning of Year</i> | 19,547                        |
| <i>Net Assets End of Year</i>       | \$20,122                      |

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, 2008*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was formed in 1967 and was opened for instruction in 1971. It is staffed by 22 classified employees and 69 certificated employees to provide services to Belmont, Harrison, Jefferson, and Carroll County juniors and seniors. For fiscal year 2008, the average daily membership was 518.

*Reporting Entity:*

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

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

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

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

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

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

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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

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

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

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

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

#### **B. Fund Accounting**

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

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's only major governmental fund:

## Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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

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

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

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School district has a private-purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### **C. Measurement Focus**

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

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

**D. Basis of Accounting**

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 6). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**E. Cash and Cash Equivalents**

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

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

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statues, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$73,561, which includes \$19,274 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**F. Restricted Assets**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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, 2008*

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**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 assets 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 assets.

**K. Compensated Absences**

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**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. Interfund Activity**

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

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

**N. Fund Balance Reserves**

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

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

**O. Net Assets**

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

**P. Operating Revenues and Expenses**

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

**Q. Extraordinary and Special Items**

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

**R. Estimates**

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

**S. Budgetary Data**

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the STRS and the SERS post-employment healthcare plans in the amount of \$6,316, and \$182, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

In prior years, the Permanent Improvement capital projects fund had been reported as a major fund. During fiscal year 2008, the Permanent Improvement capital projects fund is presented as a nonmajor fund. The prior year fund balance is presented as a reconciling item in the table below for comparability between years.

|   | General   | Permanent Improvement | Other Governmental | Total Governmental Funds |
|---|-----------|-----------------------|--------------------|--------------------------|
| Fund Balances, June 30, 2007                            | \$800,832 | \$500,000             | \$33,731           | \$1,334,563              |
| Permanent Improvement Fund<br>Nonmajor at June 30, 2008 | 0         | (500,000)             | 500,000            | 0                        |
| Restated Fund<br>Balances, June 30, 2008                | \$800,832 | \$0                   | \$533,731          | \$1,334,563              |

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

|                      | <u>General</u>            |
|----------------------|---------------------------|
| GAAP Basis           | (\$128,762)               |
| Revenue Accruals     | (19,991)                  |
| Advance In           | 35,000                    |
| Expenditure Accruals | 4,136                     |
| Principal Retirement | 33,333                    |
| Advance Out          | (35,000)                  |
| Encumbrances         | <u>(180,549)</u>          |
| Budget Basis         | <u><u>(\$291,833)</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.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

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

At June 30, 2008, the School District's internal service fund had a balance of \$122,873 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (See Note 16). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,055,179 of the School District's bank balance of \$1,265,995 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2008, the School District had an investment in Star Ohio. The fair value of Star Ohio was \$149,834, and the investment has an average maturity of 53.8 days.

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont, Harrison, Jefferson, and Carroll Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$160,523 in the general fund. The amount available as an advance at June 30, 2007, was \$140,548 in the general fund.

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



**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

The assessed values upon which the fiscal year 2008 taxes were collected are:

|  | 2007 Second<br>Half Collections |         | 2008 First<br>Half Collections |         |
|--|---------------------------------|---------|--------------------------------|---------|
|  | Amount                          | Percent | Amount                         | Percent |
| Real Estate                                | \$1,039,532,230                 | 88.29%  | \$1,055,169,440                | 90.51%  |
| Public Utility Personal                    | 82,868,830                      | 7.04%   | 78,228,210                     | 6.71%   |
| General Business Personal                  | 55,012,000                      | 4.67%   | 32,444,101                     | 2.78%   |
|  | \$1,177,413,060                 | 100.00% | \$1,165,841,751                | 100.00% |
| Tax Rate per \$1,000 of assessed valuation |                                 | \$1.45  |                                | \$1.45  |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008, consisted of property taxes, interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$172,526 may not be collected within in one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

| <u>Governmental Activities</u> | Amount   |
|--------------------------------|----------|
| Title IIA                      | \$52,505 |
| REAP Grant                     | 10,410   |
|                                | \$62,915 |

**NOTE 8 – INTERNAL BALANCES**

**A. Interfund Balances**

Interfund balances at June 30, 2008 consisted of the following individual interfund receivables and payables:

|                             | <u>Interfund Receivable</u><br>General Fund |
|-----------------------------|---|
| <u>Interfund Payable</u>    |   |
| Other Nonmajor Governmental | \$40,000                                    |

The loan to the Miscellaneous Federal Grants Special Revenue Fund was made to support the programs until the federal grant monies are received.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

|                                       | Balance<br>6/30/07 | Additions | Deletions | Balance<br>6/30/08 |
|---------------------------------------|--------------------|-----------|-----------|--------------------|
| Nondepreciable Capital Assets:        |                    |           |           |                    |
| Land                                  | \$1,090,229        | \$0       | \$0       | \$1,090,229        |
| Depreciable Capital Assets:           |                    |           |           |                    |
| Land Improvements                     | 97,724             | 0         | 0         | 97,724             |
| Buildings and Improvements            | 4,031,956          | 360,540   | 0         | 4,392,496          |
| Furniture and Equipment               | 1,487,746          | 40,515    | (25,595)  | 1,502,666          |
| Vehicles                              | 153,301            | 0         | 0         | 153,301            |
| Total Depreciable Capital Assets      | 5,770,727          | 401,055   | (25,595)  | 6,146,187          |
| Accumulated Depreciation:             |                    |           |           |                    |
| Land Improvements                     | (94,292)           | (300)     | 0         | (94,592)           |
| Buildings and Improvements            | (3,796,939)        | (70,060)  | 0         | (3,866,999)        |
| Furniture and Equipment               | (922,698)          | (102,980) | 25,178    | (1,000,500)        |
| Vehicles                              | (81,549)           | (11,150)  | 0         | (92,699)           |
| Total Accumulated Depreciation        | (4,895,478)        | (184,490) | 25,178    | (5,054,790)        |
| Total Depreciable Capital Assets, Net | 875,249            | 216,565   | (417)     | 1,091,397          |
| Governmental Capital Assets, Net      | \$1,965,478        | \$216,565 | (\$417)   | \$2,181,626        |

Depreciation expense was charged to governmental activities as follows:

|                         |                  |
|-------------------------|------------------|
| Instruction:            |                  |
| Vocational              | \$158,952        |
| Support Services:       |                  |
| Pupils                  | 1,823            |
| Instructional Staff     | 4,448            |
| Administration          | 4,935            |
| Fiscal                  | 701              |
| Maintenance             | 7,164            |
| Food Service Operations | 6,467            |
| Total                   | <u>\$184,490</u> |

**NOTE 10 - RISK MANAGEMENT**

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**A. Property and Fleet**

During fiscal year 2008 the School District contracted with Utica National Insurance Group for property, commercial crime, commercial inland marine and fleet insurance. Coverage provided follows:

*Property:*

|   |              |
|---|--------------|
| Building and Contents - replacement cost (\$5,000 Deductible) | \$22,671,886 |
| Inland Marine - Miscellaneous Equipment (\$100 Deductible)    | 757,157      |

*Commercial Auto Coverage:*

|                                      |                  |
|--------------------------------------|------------------|
| Auto Liability-Combined Single Limit | 1,000,000        |
| Uninsured Motorists                  | 1,000,000        |
| Medical Payments                     | 5,000            |
| Comprehensive                        | 1,000 deductible |
| Collision                            | 1,000 deductible |

*Commercial Crime:*

|  |         |
|--|---------|
| Employee Theft - Per Employee (\$500 Deductible)         | 100,000 |
| Forgery or Alteration - Per Occurance (\$500 Deductible) | 100,000 |
| Inside / Outside the Premises - Theft (\$500 Deductible) | 25,000  |

**B. Liability**

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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*Educational General Liability:*

|   |           |
|---|-----------|
| Bodily Injury and Property Damage - Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense | 1,000,000 |
| Personal and Advertising Injury - Each Offense Limit  | 1,000,000 |
| Fire Damage - Any One Event Limit   | 500,000   |
| Medical Expense - Any One Person Limit  | 10,000    |
| Each Accident Limit   | 10,000    |
| General Aggregate Limit   | 3,000,000 |
| Products-Completed Operations Aggregate Limit   | 1,000,000 |

*Employers Liability - Stop Gap - Occurrence:*

|   |           |
|---|-----------|
| Bodily Injury by Accident - Each Accident Limit | 1,000,000 |
| Bodily Injury by Disease - Endorsement Limit    | 1,000,000 |
| Bodily Injury by Disease - Each Employee Limit  | 1,000,000 |

*Employee Benefits Liability - Claims Made:*

|                    |           |
|--------------------|-----------|
| Each Offense Limit | 1,000,000 |
| Aggregate Limit    | 3,000,000 |

*Educational Legal Liability - Claims Made:*

|  |           |
|--|-----------|
| Errors and Omissions Injury Limit (\$2,500 Deductible) | 1,000,000 |
| Errors and Omissions Injury Aggregate Limit            | 3,000,000 |
| Employment Practices Injury Limit (\$2,500 Deductible) | 1,000,000 |
| Employment Practices Injury Aggregate Limit            | 3,000,000 |

*Excess Liability Coverage:*

|   |           |
|---|-----------|
| Education General Liability                             |           |
| Body Injury and Property Damage Limit - Each Occurrence | 2,000,000 |
| Personal and Advertising Injury Limit - Each Offense    | 2,000,000 |
| General Aggregate Limit                                 | 2,000,000 |
| Products - Completed Operations Aggregate Limit         | 2,000,000 |
| Employee Benefits Liability - Claims Made               |           |
| Employee Benefits Injury - Each Offense Limit           | 2,000,000 |
| Employee Benefits Injury - Aggregate Limit              | 2,000,000 |
| Educational Legal Liability - Claims Made               |           |
| Errors and Omissions Injury Limit                       | 2,000,000 |
| Errors and Omissions Aggregate Limit                    | 2,000,000 |
| Employment Practices Injury Limit                       | 2,000,000 |
| Employment Practices Aggregate Limit                    | 2,000,000 |

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

**C. Worker's Compensation**

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRPs selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**D. Employee Benefits**

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of eighty-four members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. All employees were offered dental coverage through the self-insured program for the entire fiscal year. Prior to October 1, 2007 all employees had the option of choosing either Hometown or the Health Plan of the Upper Ohio Valley, Inc, which are PPO and HMO plans, respectively for medical/surgical, and prescription drug coverage. As of October 1, 2007, all employees were covered for medical/surgical and prescription drug coverage through the OME-RESA self-insured plan.

Employees have a choice to participate in either a traditional plan option or a preferred provider plan option through the self-insured program with the Health Plan acting as the third-party administrator for both options. The Board pays 96 percent of the premiums which are \$968.38 per family and \$343.90 for single for the traditional plan, or \$1,193.15 for family and \$380.93 for single coverage for the preferred provider plan per month. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$37,112 reported in the Internal Service Fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

|      | <u>Balance at</u><br><u>Beginning of Year</u> | <u>Current Year</u><br><u>Claims</u> | <u>Claim</u><br><u>Payments</u> | <u>Balance at</u><br><u>End of Year</u> |
|------|---|--------------------------------------|---------------------------------|---|
| 2007 | \$0   | 438,796                              | 390,912                         | \$47,884                                |
| 2008 | 47,884  | 569,201                              | 579,973                         | 37,112                                  |

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$42,064, \$44,129, and \$46,986 respectively; 98.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$428,996, \$409,308, and \$395,091 respectively; 78.18 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$88 made by the School District and \$6,220 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, five 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 OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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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, 2008, 2007, and 2006 were \$19,195, \$14,651, and \$16,397 respectively; 98.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,031, \$3,001, and \$3,740 respectively; 98.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$30,622, \$29,327, and \$28,881 respectively; 78.18 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Insurance Benefits**

Life insurance, in varying amounts, as well as vision coverage through Vision Service Plan is 100 percent Board covered at premiums of \$7.25 for all employees and \$11.34, single and \$25.29, family respectively per month.



**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**NOTE 14 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

|   | Outstanding<br>6/30/07 | Additions        | Reductions       | Outstanding<br>6/30/08 | Amounts<br>Due Within<br>One Year |
|---|------------------------|------------------|------------------|------------------------|-----------------------------------|
| 2004 Vocational School Building<br>Assistance Loan - \$500,000 @ 0% | \$400,001              | \$0              | \$33,333         | \$366,668              | \$33,333                          |
| Compensated Absences  | 1,268,106              | 162,810          | 103,439          | 1,327,477              | 45,340                            |
| Total Governmental Activities                                       | <u>\$1,668,107</u>     | <u>\$162,810</u> | <u>\$136,772</u> | <u>\$1,694,145</u>     | <u>\$78,673</u>                   |

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

In June, 2005, 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, 2008 are as follows:

| Fiscal Year<br>Ending June 30 | Principal        |
|-------------------------------|------------------|
| 2009                          | \$33,333         |
| 2010                          | 33,333           |
| 2011                          | 33,333           |
| 2012                          | 33,333           |
| 2013                          | 33,333           |
| 2014-2018                     | 166,669          |
| 2019                          | <u>33,334</u>    |
| Total                         | <u>\$366,668</u> |

The School District's overall legal debt margin was \$101,080,768, with an unvoted debt margin of \$1,127,194, at June 30, 2008.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

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

*Ohio Mid-Eastern Regional Educational Service Agency* - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2008, the total amount paid to OME-RESA from the School District was \$25,395 for cooperative gas purchasing services and \$18,725 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**B. Coalition of Rural and Appalachian Schools (CORAS)**

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools (CORSA) is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008.

**C. East Central Ohio Special Education Regional Resource Center (ECOSERRC)**

*East Central Ohio Special Education Regional Resource Center* - The East Central Ohio Special Education Regional Resource Center (ECOSERRC) is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio that operates under the direction of an Advisory Board that consists of one or more superintendents from each of the 10 participating counties. This Board establishes policy, approves the budget and recommends employment through its fiscal agent, Tuscarawas, Carroll, Harrison Educational Service Center. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC. As of July 1, 2008 the ECOSERRC ceased operations.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**D. Educational Regional Service System Region 12 (ERSS)**

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

**NOTE 16 – PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pools**

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

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

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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|   | Textbooks            | Capital<br>Improvements | Budget<br>Stabilization |
|---|----------------------|-------------------------|-------------------------|
| Set-aside Reserve Balance as of June 30, 2007               | \$0                  | \$0                     | \$22,817                |
| Current Year Set-aside Requirement                          | 85,506               | 85,506                  | 0                       |
| Allowable Carry Forward from Fiscal Year 2007               | (3,304,813)          | 0                       | 0                       |
| Qualifying Disbursements                                    | <u>(419,480)</u>     | <u>(85,506)</u>         | <u>0</u>                |
| Totals  | <u>(\$3,638,787)</u> | <u>\$0</u>              | <u>\$22,817</u>         |
| Set-aside Balance Carried Forward to<br>Future Fiscal Years | <u>(\$3,638,787)</u> | <u>\$0</u>              | <u>\$22,817</u>         |
| Set-aside Reserve Balance as of June 30, 2008               | <u>\$0</u>           | <u>\$0</u>              | <u>\$22,817</u>         |

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

**NOTE 18 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**B. Litigation**

The School District is currently under no litigation.

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Joint Vocational School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Belmont-Harrison Joint Vocational School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*. We noted certain immaterial instances of noncompliance, which we have reported to management of Belmont-Harrison Joint Vocational School District in a separate letter dated November 24, 2009.

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
November 24, 2009







**Mary Taylor, CPA**  
Auditor of State

**BELMONT-HARRISON JOINT VOCATIONAL SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 26, 2010**