



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Vocational School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Vocational School District, Belmont County, Ohio, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 10, 2014

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
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, 2012. 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 2012 are as follows:

- In total, net assets increased \$782,533.
- General revenues accounted for \$5,617,378 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$1,146,894 or 17 percent of total revenues of \$6,764,272.
- Total assets of governmental activities increased \$351,300. Current assets increased by \$325,442 primarily due to an increase in cash and cash equivalents as a result of decreased spending. Capital assets increased \$25,858 due to capital asset additions which were offset by annual depreciation expense.
- The School District had \$5,981,739 in expenses related to governmental activities; only \$1,146,894 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues of \$5,617,378 were adequate to provide for these programs.
- Total governmental funds had \$6,705,482 in revenues and \$6,270,812 in expenditures. The net change in governmental fund balances, including other financing sources was an increase of \$440,994.

### **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, 2012*

*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 2012?" 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 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, 2012*  
*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 2012 compared to 2011.

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

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$3,173,944	\$2,848,502	\$325,442
Capital Assets	1,979,166	1,953,308	25,858
<b>Total Assets</b>	<b>5,153,110</b>	<b>4,801,810</b>	<b>351,300</b>
<b>Liabilities</b>			
Long-Term Liabilities	1,185,768	1,510,438	(324,670)
Other Liabilities	2,085,127	2,191,690	(106,563)
<b>Total Liabilities</b>	<b>3,270,895</b>	<b>3,702,128</b>	<b>(431,233)</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,745,830	1,686,639	59,191
Restricted	121,037	103,509	17,528
Unrestricted (Deficit)	15,348	(690,466)	705,814
<b>Total Net Assets</b>	<b>\$1,882,215</b>	<b>\$1,099,682</b>	<b>\$782,533</b>

Total assets of governmental activities increased \$351,300. Current assets increased by \$325,442 primarily due to an increase in cash and cash equivalents as a result of decreased spending. Capital assets increased \$25,858 as a result of capital asset additions exceeding annual depreciation expense.

Total net assets of the School District's governmental activities increased \$782,533. The unrestricted (deficit) net assets increased from, (\$690,466) to \$15,348 primarily due to revenues exceeding expenses, as well as a decrease in long term liabilities related to compensated absences payable as a result of retirements and continued reductions in force. While the restricted net assets reflected little change, invested in capital assets, net of debt increased primarily due to capital asset additions exceeding annual depreciation expense and debt service payments.

**Belmont-Harrison Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

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

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2012</b>	<b>2011</b>	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$189,046	\$190,321	(\$1,275)
Operating Grants and Contributions	957,848	977,581	(19,733)
<b>Total Program Revenues</b>	<b>1,146,894</b>	<b>1,167,902</b>	<b>(21,008)</b>
General Revenues			
Property Taxes	1,566,103	1,550,930	15,173
Revenue in Lieu of Taxes	70,958	0	70,958
Grants and Entitlements not Restricted to Specific Programs	3,956,114	4,093,883	(137,769)
Investments	5,994	6,779	(785)
Other	18,209	27,215	(9,006)
<b>Total General Revenues</b>	<b>5,617,378</b>	<b>5,678,807</b>	<b>(61,429)</b>
<b>Total Revenues</b>	<b>6,764,272</b>	<b>6,846,709</b>	<b>(82,437)</b>
<b>Program Expenses</b>			
Instruction			
Regular	227,243	225,116	2,127
Vocational	3,252,019	3,589,302	(337,283)
Adult/Continuing	0	112	(112)
Student Intervention Services	123,724	66,492	57,232
Support Services			
Pupil	687,576	773,280	(85,704)
Instructional Staff	61,623	68,053	(6,430)
Board of Education	32,419	37,138	(4,719)
Administration	520,500	548,253	(27,753)
Fiscal	225,554	268,115	(42,561)
Operation and Maintenance of Plant	511,852	588,813	(76,961)
Central	148,452	175,565	(27,113)
Food Service Operations	168,300	178,391	(10,091)
Extracurricular Activities	22,477	28,756	(6,279)
<b>Total Expenses</b>	<b>5,981,739</b>	<b>6,547,386</b>	<b>(565,647)</b>
<b>Increase in Net Assets</b>	<b>782,533</b>	<b>299,323</b>	<b>483,210</b>
Net Assets Beginning of Year	1,099,682	800,359	299,323
<b>Net Assets End of Year</b>	<b>\$1,882,215</b>	<b>\$1,099,682</b>	<b>\$782,533</b>

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

In 2012, 23 percent of the School District's revenues were from property taxes and 58 percent were from unrestricted grants and entitlements.

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

Instructional programs comprise approximately 60 percent of governmental program expenses, a decrease of \$278,036 from fiscal year 2011. Overall, program expenses of the School District decreased by \$565,647 primarily due to realignment of vocational programs as well as reductions in force as part of the School District's efforts to reduce costs. The increase in student intervention services corresponds to the decrease in pupil support services as counseling costs are being more specifically reflected as student intervention program expense, as compared to the prior fiscal year.

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 2012 as compared to 2011. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

	<b>Total Cost of Service</b>		<b>Net Cost of Services</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Instruction				
Regular	\$227,243	\$225,116	\$226,178	\$215,317
Vocational	3,252,019	3,589,302	2,563,402	2,895,358
Adult/Continuing	0	112	0	112
Student Intervention Services	123,724	66,492	2,079	1,127
Support Services				
Pupil	687,576	773,280	624,888	645,374
Instructional Staff	61,623	68,053	8,929	5,872
Board of Education	32,419	37,138	32,419	37,138
Administration	520,500	548,253	510,763	536,193
Fiscal	225,554	268,115	225,554	268,115
Operation and Maintenance of Plant	511,852	588,813	511,852	588,813
Central	148,452	175,565	144,852	170,565
Food Service Operations	168,300	178,391	(31,227)	(767)
Extracurricular Activities	22,477	28,756	15,156	16,267
<b>Total Expenses</b>	<b>\$5,981,739</b>	<b>\$6,547,386</b>	<b>\$4,834,845</b>	<b>\$5,379,484</b>

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

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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**The School District Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. The School District has one major fund, the General Fund. The General Fund had \$6,254,526 in revenues and \$5,828,305 in expenditures. Overall, including other financing sources, the General Fund's balance increased \$432,545.

***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 2012 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant differences between budgeted and actual revenues during the fiscal year. There were significant differences between budgeted and actual expenditures, as spending was less than budgeted in all categories, most notably vocational instruction expense.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012 the School District had \$1,979,166, net of accumulated depreciation, invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

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

***Debt***

At June 30, 2012, the School District had an outstanding loan that was originally issued in the amount of \$500,000 at a zero percent interest rate, from the vocational school building assistance loan program. The School District made the scheduled principal repayment during fiscal year 2012.

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

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
2004 Vocational School Building Assistance Loan	<u>\$233,336</u>	<u>\$266,669</u>

See Note 15 for more information regarding debt.

**Belmont-Harrison Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

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**Economic Factors**

The Belmont-Harrison Vocational School District relies heavily on State foundation. Under HB 1 Vocational School Districts are funded based on fiscal year 2009 State foundation amounts being capped at 0.75 percent increase for both fiscal year 2010 and 2011, thus any increase in the number of students served by the School District will not generate additional revenue. The State was to conduct a study over the biennium to determine how Vocational School Districts will be funded beyond fiscal year 2011; however with the passage of HB153 the Evidence Based Model funding model for City, Local, and Exempted Village School Districts was eliminated and a new funding model is to be introduced. Vocational School Districts will continue to be funded based on fiscal year 2009 amounts with a zero percent increase for fiscal years 2012 and 2013. Additionally, the Utility Deregulation Fixed Rate Tax Loss and Tangible Personal Property Reimbursements were both eliminated in fiscal year 2012.

Real Estate tax collections are a function of several variables including valuation, effective millage, delinquencies, and collection rate. The Belmont-Harrison Vocational School District's voted millage is currently 1.45 mills. Due to current economic trends the School District has realized small increases in revenue from real estate taxes. A significant increase in assessed valuation for public utility personal is due to the new valuation related to the Rockies Express natural gas pipeline. With an overall small decrease in revenue and continued inflation, the School District must explore ways to decrease expenditures in order to remain financially sound.

**Contacting the School District's Financial Management**

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

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**Belmont-Harrison Vocational School District**

*Statement of Net Assets*

*June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,360,997
Intergovernmental Receivable	19,887
Prepaid Items	12,564
Materials and Supplies Inventory	33,909
Property Taxes Receivable	1,697,462
Revenue in Lieu of Taxes	49,125
Non-Depreciable Capital Assets	1,090,229
Depreciable Capital Assets, Net	<u>888,937</u>
<i>Total Assets</i>	<u>5,153,110</u>
<b>Liabilities</b>	
Accounts Payable	861
Accrued Wages and Benefits Payable	482,475
Intergovernmental Payable	81,030
Claims Payable	72,285
Deferred Revenue	1,448,476
Long-Term Liabilities:	
Due Within One Year	95,439
Due In More Than One Year	<u>1,090,329</u>
<i>Total Liabilities</i>	<u>3,270,895</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,745,830
Restricted For:	
Capital Projects	65,459
Budget Stabilization	22,817
Food Service Operations	21,761
Other Purposes	11,000
Unrestricted	<u>15,348</u>
<i>Total Net Assets</i>	<u><u>\$1,882,215</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, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$227,243	\$0	\$1,065	(\$226,178)
Vocational	3,252,019	136,709	551,908	(2,563,402)
Student Intervention Services	123,724	0	121,645	(2,079)
Support Services:				
Pupil	687,576	0	62,688	(624,888)
Instructional Staff	61,623	0	52,694	(8,929)
Board of Education	32,419	0	0	(32,419)
Administration	520,500	0	9,737	(510,763)
Fiscal	225,554	0	0	(225,554)
Operation and Maintenance of Plant	511,852	0	0	(511,852)
Central	148,452	0	3,600	(144,852)
Food Service Operations	168,300	45,016	154,511	31,227
Extracurricular Activities	22,477	7,321	0	(15,156)
<i>Total Governmental Activities</i>	<u>\$5,981,739</u>	<u>\$189,046</u>	<u>\$957,848</u>	<u>(4,834,845)</u>

**General Revenues**

Property Taxes Levied for General Purposes	1,566,103
Revenue in Lieu of Taxes	70,958
Grants and Entitlements not Restricted to Specific Programs	3,956,114
Investment Earnings	5,994
Gain on Sale of Capital Assets	3,519
Miscellaneous	14,690

*Total General Revenues* 5,617,378

Change in Net Assets 782,533

*Net Assets Beginning of Year* 1,099,682

*Net Assets End of Year* \$1,882,215

See accompanying notes to the basic financial statements



**Belmont-Harrison Vocational School District**

*Balance Sheet  
Governmental Funds  
June 30, 2012*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,214,999	\$112,181	\$1,327,180
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	33,817	0	33,817
Receivables:			
Property Taxes	1,697,462	0	1,697,462
Intergovernmental	0	19,887	19,887
Revenue in Lieu of Taxes	49,125	0	49,125
Interfund	49,239	0	49,239
Prepaid Items	11,180	1,384	12,564
Materials and Supplies Inventory	31,494	2,415	33,909
<i>Total Assets</i>	<u>\$3,087,316</u>	<u>\$135,867</u>	<u>\$3,223,183</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$861	\$0	\$861
Accrued Wages and Benefits Payable	443,432	39,043	482,475
Intergovernmental Payable	71,426	9,604	81,030
Deferred Revenue	1,663,793	0	1,663,793
<i>Total Liabilities</i>	<u>2,179,512</u>	<u>48,647</u>	<u>2,228,159</u>
 <b>Fund Balances</b>			
Nonspendable:			
Materials and Supplies Inventory	31,494	2,415	33,909
Prepaid Items	11,180	1,384	12,564
Restricted for:			
Budget Stabilization	22,817	0	22,817
Capital Projects	0	65,459	65,459
Food Service Operations	0	17,962	17,962
Underground Storage Tank Premiums	11,000	0	11,000
Assigned for Encumbrances	233,103	0	233,103
Unassigned	598,210	0	598,210
<i>Total Fund Balances</i>	<u>907,804</u>	<u>87,220</u>	<u>995,024</u>
 <i>Total Liabilities and Fund Balances</i>	<u>\$3,087,316</u>	<u>\$135,867</u>	<u>\$3,223,183</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, 2012*

<b>Total Governmental Fund Balances</b>		\$995,024
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,979,166
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Property Taxes	166,192	
Revenue in Lieu of Taxes	<u>49,125</u>	
Total		215,317
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.		(121,524)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Vocational School Building Assistance Loan	233,336	
Compensated Absences	<u>952,432</u>	
Total		<u>(1,185,768)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$1,882,215</u></u>

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, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,560,007	\$0	\$1,560,007
Intergovernmental	4,508,022	405,940	4,913,962
Interest	5,944	0	5,944
Tuition and Fees	99,296	0	99,296
Rent	12,000	0	12,000
Extracurricular Activities	7,321	0	7,321
Revenue in Lieu of Taxes	21,833	0	21,833
Charges for Services	25,413	45,016	70,429
Miscellaneous	14,690	0	14,690
<i>Total Revenues</i>	<u>6,254,526</u>	<u>450,956</u>	<u>6,705,482</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	223,725	1,083	224,808
Vocational	3,330,855	0	3,330,855
Student Intervention Services	0	123,724	123,724
Support Services:			
Pupil	622,276	63,758	686,034
Instructional Staff	8,316	53,594	61,910
Board of Education	36,279	0	36,279
Administration	558,870	9,903	568,773
Fiscal	276,676	0	276,676
Operation and Maintenance of Plant	566,121	0	566,121
Central	144,852	3,600	148,452
Food Service Operations	0	186,845	186,845
Extracurricular Activities	27,002	0	27,002
Debt Service:			
Principal Retirement	33,333	0	33,333
<i>Total Expenditures</i>	<u>5,828,305</u>	<u>442,507</u>	<u>6,270,812</u>
<i>Excess of Revenues Over Expenditures</i>	426,221	8,449	434,670
<b>Other Financing Sources</b>			
Sale of Capital Assets	6,324	0	6,324
<i>Net Change in Fund Balances</i>	432,545	8,449	440,994
<i>Fund Balances Beginning of Year</i>	<u>475,259</u>	<u>78,771</u>	<u>554,030</u>
<i>Fund Balances End of Year</i>	<u>\$907,804</u>	<u>\$87,220</u>	<u>\$995,024</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, 2012*

**Net Change in Fund Balances - Total Governmental Funds** \$440,994

*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	140,043	
Current Year Depreciation	(111,380)	
Total	28,663	28,663

Capital assets removed from the capital asset account on the statement of net assets results in a gain/loss on disposal of capital assets on the statement of activities (2,805)

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

Revenue in Lieu of Taxes	49,125	
Property Taxes	6,096	
Total	55,221	55,221

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 291,337

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. (64,210)

*Change in Net Assets of Governmental Activities* \$782,533

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, 2012*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$1,514,600	\$1,586,760	\$1,582,961	(\$3,799)
Intergovernmental	4,502,290	4,508,048	4,508,022	(26)
Interest	4,035	5,725	5,944	219
Tuition and Fees	72,010	99,298	99,296	(2)
Rent	12,000	12,000	12,000	0
Extracurricular Activities	14,600	7,550	7,321	(229)
Revenue in Lieu of Taxes	0	21,834	21,833	(1)
Charges for Services	10,350	25,430	25,413	(17)
Miscellaneous	16,000	18,705	14,694	(4,011)
<i>Total Revenues</i>	<u>6,145,885</u>	<u>6,285,350</u>	<u>6,277,484</u>	<u>(7,866)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	231,591	237,430	225,951	11,479
Vocational	3,632,018	3,741,938	3,584,615	157,323
Support Services:				
Pupil	682,060	691,291	639,699	51,592
Instructional Staff	16,055	16,055	8,316	7,739
Board of Education	48,907	51,907	35,945	15,962
Administration	613,518	614,593	566,200	48,393
Fiscal	290,560	292,061	278,892	13,169
Operation and Maintenance of Plant	833,489	664,341	585,103	79,238
Central	180,881	213,681	183,856	29,825
Extracurricular Activities	35,000	30,101	27,680	2,421
Debt Service:				
Principal Retirement	33,333	33,333	33,333	0
<i>Total Expenditures</i>	<u>6,597,412</u>	<u>6,586,731</u>	<u>6,169,590</u>	<u>417,141</u>
Excess of Revenues Over (Under) Expenditures	(451,527)	(301,381)	107,894	409,275
<b>Other Financing Sources</b>				
Sale of Capital Assets	2,000	6,500	6,324	(176)
<i>Net Change in Fund Balance</i>	(449,527)	(294,881)	114,218	409,099
<i>Fund Balance Beginning of Year</i>	788,346	788,346	788,346	0
Prior Year Encumbrances Appropriated	161,527	161,527	161,527	0
<i>Fund Balance End of Year</i>	<u><u>\$500,346</u></u>	<u><u>\$654,992</u></u>	<u><u>\$1,064,091</u></u>	<u><u>\$409,099</u></u>

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2012*

	<u>Governmental Activity Internal Service Fund</u>
<b>Current Assets:</b>	
Cash and Cash Equivalents with Fiscal Agents	<u>\$0</u>
<b>Current Liabilities</b>	
Interfund Payable	49,239
Claims Payable	<u>72,285</u>
<i>Total Current Liabilities</i>	<u>121,524</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u>(121,524)</u>
<i>Total Net Assets (Deficit)</i>	<u><u>(\$121,524)</u></u>

See accompanying notes to the basic financial statements

**Belmont-Harrison Vocational School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Governmental Activity <hr/> Internal Service Fund <hr/>
<b>Operating Revenues</b>	
Charges for Services	\$785,003
Other	17,744
	<hr/>
<i>Total Operating Revenues</i>	<i>802,747</i>
	<hr/>
<b>Operating Expenses</b>	
Purchased Services	284,803
Claims	582,204
	<hr/>
<i>Total Operating Expenses</i>	<i>867,007</i>
	<hr/>
<i>Operating Loss</i>	<i>(64,260)</i>
<b>Non-Operating Revenues</b>	
Interest	50
	<hr/>
<i>Change in Net Assets</i>	<i>(64,210)</i>
<i>Net Assets (Deficit) Beginning of Year</i>	<i>(57,314)</i>
	<hr/>
<i>Net Assets (Deficit) End of Year</i>	<i>(\$121,524)</i>
	<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, 2012*

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$785,003
Cash Payments for Goods and Services	(284,803)
Cash Payments for Claims	(580,942)
Other Operating Revenues	17,744
<i>Net Cash Used in Operating Activities</i>	(62,998)
<b>Cash Flows from Noncapital Financing Activities</b>	
Interfund Loan	49,239
<i>Net Cash Provided by Noncapital Financing Activities</i>	49,239
<b>Cash Flows from Investing Activities</b>	
Interest	50
<i>Net Cash Provided by Investing Activities</i>	50
<i>Net Decrease in Cash and Cash Equivalents</i>	(13,709)
<i>Cash and Cash Equivalents Beginning of Year</i>	13,709
<i>Cash and Cash Equivalents End of Year</i>	\$0
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	(\$64,260)
Increase in Claims Payable	1,262
<i>Net Cash Used in Operating Activities</i>	(\$62,998)
See accompanying notes to the basic financial statements	



**Belmont-Harrison Vocational School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2012*

	<u>Private Purpose Trust Fund</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$14,523</u>	<u>\$75,510</u>
<i>Total Assets</i>	<u>14,523</u>	<u><u>\$75,510</u></u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$75,510</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$75,510</u></u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>14,523</u>	
<i>Total Net Assets</i>	<u><u>\$14,523</u></u>	

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, 2012*

	Private Purpose Trust Fund
<b>Additions</b>	
Interest	\$54
Contributions and Donations	7,000
Total Additions	7,054
<b>Deductions</b>	
Scholarships Awarded	8,475
<i>Change in Net Assets</i>	(1,421)
<i>Net Assets Beginning of Year</i>	15,944
<i>Net Assets End of Year</i>	\$14,523

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, 2012*

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**NOTE 1 – DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was formed in 1967 and was opened for instruction in 1971. It is staffed by 20 classified employees and 59 certificated employees to provide services to Belmont, Harrison, Jefferson, and Carroll County juniors and seniors. For fiscal year 2012, the average daily membership was 465.

*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 is involved with six organizations: three jointly governed organizations, two insurance purchasing pools and one risk sharing, claims servicing, and insurance purchasing pool. These organizations include Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Coalition of Rural and Appalachian Schools (CORAS), the Educational Regional Service System Region 12 (ERSS), the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) the Ohio School Plan (OSP), the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan. These organizations are presented in Notes 16 and 17.

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

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

## Belmont-Harrison Vocational School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

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

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

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

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

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

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

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

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

## Belmont-Harrison Vocational School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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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, 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.

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**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 7). Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred 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, 2012, but which were levied to finance fiscal year 2013 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, 2012*

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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 utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as "cash and cash equivalents with fiscal agents".

The Belmont-Harrison Vocational School District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2012. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold at June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$5,944, which includes \$680 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 18 for additional information regarding set-asides.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Capital Assets**

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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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:

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

**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

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

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

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

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



## Belmont-Harrison Vocational School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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#### **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**

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

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

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

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

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

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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

#### **O. Net Assets**

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

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

#### **P. Operating Revenues and Expenses**

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

#### **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.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**S. Budgetary Data**

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

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

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

*Changes in Accounting Principles* - For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53". GASB Statement No. 64 was issued to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this statement did not result in any material change to the School District's financial statements.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).

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

	<u>General</u>
GAAP Basis	\$432,545
Revenue Accruals	22,958
Expenditure Accruals	(107,321)
Encumbrances	<u>(233,964)</u>
Budget Basis	<u><u>\$114,218</u></u>

**NOTE 5 – FUND DEFICIT**

At June 30, 2012, the following fund had deficit net assets:

	<u>Deficit Net Assets</u>
Internal Service Fund	<u><u>\$121,524</u></u>

The deficit in the Self- insurance Internal Service Fund is due to an actual cash deficit of \$47,873 in the fund, contrary to Section 5705.10(H) of the Ohio Revised Code, as well as the recognition of claims payable. The cash deficit is reported as an interfund payable to the General Fund. The School District is currently working with the plan administrators to address the deficit.

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in - (NOW) accounts, or in money market deposit accounts.

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

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

At June 30, 2012, the School District's internal service fund had a deficit balance of \$49,239 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the District's bank balance was \$1,653,584. Of the bank balance \$530,650 was covered by Federal depository insurance and the remaining balance of \$1,122,934 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

The School District has no policy for custodial risk for deposits beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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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, 2012, the School District had an investment in STAROhio. The fair value of STAROhio was \$958, and the investment has an average maturity of 52.5 days.

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

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

**NOTE 7 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont, Harrison, Carroll and Jefferson Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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, 2012 was \$82,794 in the General Fund. The amount available as an advance at June 30, 2011 was \$105,748 in the General Fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$902,863,590	89.14%	\$918,474,970	90.38%
Public Utility Personal	109,996,800	10.86%	97,724,590	9.62%
Total Assessed Value	<u>\$1,012,860,390</u>	<u>100.00%</u>	<u>\$1,016,199,560</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$1.45		\$1.45

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2012, consisted of property taxes, revenue in lieu of taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$166,192 may not be collected within in one year. All other receivables, with the exception of revenue in lieu of taxes, are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	Amount
Title IIA Grant	\$12,670
Rural Education Achievement Program Grant	7,217
	<u>\$19,887</u>

On December 31, 2010 FirstEnergy Generation Corp (FirstEnergy) ceased operations of the R. E. Burger biomass plant located within the taxing authority of the School District. FirstEnergy, seeking to mitigate the tax revenue loss that the plant closure would have on the District, entered into a personal property tax agreement with Belmont County on February 23, 2011. Under the agreement, FirstEnergy will pay a decreasing percentage of its established annual personal property tax of \$867,312 to Belmont County. The County will then distribute the payments accordingly to the School District and other government entities that would have received tax revenue from FirstEnergy. The agreement calls for five annual payments. The first annual payment was received by the District during fiscal year 2012. Four annual payments remain, with the final payment being due on February 1, 2016. The total receivable is \$49,125, with \$32,750 that will not be collected within one year.

A breakdown of the payments is as follows:

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

Fiscal Year	Governmental Fund
	General Fund
2013	\$16,375
2014	16,375
2015	10,917
2016	5,458
	<u>\$49,125</u>

**NOTE 9 – INTERFUND BALANCES**

Interfund balances at June 30, 2012, consist of the following interfund receivables and payables:

<u>Interfund Payable</u>	Interfund Receivable
	General Fund
Internal Service Fund	<u>\$49,239</u>

Actual cash deficit balances in the Self-Insurance Internal Service Fund were covered by the General Fund. See Note 5 for additional information.

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
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	4,466,497	0	0	4,466,497
Furniture and Equipment	1,444,229	128,618	(87,370)	1,485,477
Vehicles	146,759	11,425	0	158,184
Total Depreciable Capital Assets	<u>6,155,209</u>	<u>140,043</u>	<u>(87,370)</u>	<u>6,207,882</u>
Accumulated Depreciation:				
Land Improvements	(95,195)	(300)	0	(95,495)
Buildings and Improvements	(3,955,581)	(30,042)	0	(3,985,623)
Furniture and Equipment	(1,133,221)	(70,039)	84,565	(1,118,695)
Vehicles	(108,133)	(10,999)	0	(119,132)
Total Accumulated Depreciation	<u>(5,292,130)</u>	<u>(111,380)</u>	<u>84,565</u>	<u>(5,318,945)</u>
Total Depreciable Capital Assets, Net	<u>863,079</u>	<u>28,663</u>	<u>(2,805)</u>	<u>888,937</u>
Governmental Capital Assets, Net	<u>\$1,953,308</u>	<u>\$28,663</u>	<u>(\$2,805)</u>	<u>\$1,979,166</u>



**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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Depreciation expense was charged to governmental activities as follows:

Instruction:	
Vocational	\$100,376
Support Services:	
Administration	2,209
Fiscal	300
Maintenance	7,238
Food Service Operations	1,257
Total	<u><u>\$111,380</u></u>

**NOTE 11 – RISK MANAGEMENT**

**A. Property and Liability Insurance**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 17). The Belmont-Harrison Vocational School District contracted with the Ohio School Plan for liability, property, and fleet insurance.

<i>Property:</i>	
Building and Contents - replacement cost (\$1,000 Deductible)	\$27,079,234
Flood Coverage (\$25,000 Deductible)	5,000,000
<i>Commercial Auto Coverage:</i>	
Auto Liability (\$1,000 Deductible)	3,000,000
Uninsured Motorists	1,000,000
<i>Educational General Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
Personal and Advertising Injury Limit - Each Occurrence	3,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Employers' Liability:</i>	
Each Occurrence	3,000,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	3,000,000
Aggregated Limit	5,000,000
<i>Crime Coverage:</i>	
Employee Theft, Forgery or Alteration (\$1,000 Deductible)	100,000

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

**B. Worker’s Compensation**

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRPs selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**C. Employee Benefits**

Medical/surgical, prescription drug, life and dental insurance are offered to employees through a Self-Insurance Internal Service Fund. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District’s behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. There is a \$250 annual deductible per single or \$500 annual deductible per family for this portion of the coverage. The Board’s share of the premiums for this coverage is \$471.37 for individual coverage per month and \$1,100.00 for family coverage per month which represents 90 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. Prescription drug coverage is included with the medical/surgical premium. Premiums for the dental coverage are \$92.04 per month for family and single coverage and are 100 percent covered by the Board.

The claims liability of \$72,285 reported in the Internal Service Fund at June 30, 2012 is based on an estimate calculated by averaging the past three fiscal year claims payable amounts and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	\$79,229	\$635,596	\$643,802	\$71,023
2012	71,023	582,204	580,942	72,285

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 12 – DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$58,861, \$65,974, and \$54,392, respectively. For fiscal year 2012, 97.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**B. State Teachers Retirement System**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$409,040 and \$5,301 for the fiscal year ended June 30, 2012, \$420,922 and \$4,252 for the fiscal year ended June 30, 2011, and \$438,110 and \$4,425 for the fiscal year ended June 30, 2010. For fiscal year 2012, 72.44 percent has been contributed for the DB plan and 72.44 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$85 made by the School District and \$61 made by the plan members. In addition, member contributions of \$3,787 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**NOTE 13 – POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$8,454 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,364, \$7,988, and \$2,135, respectively. For fiscal year 2012, 97.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$3,476, \$4,246, and \$3,245 respectively. For fiscal year 2012, 97.89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$27,129, \$30,898, and \$29,440 respectively. For fiscal year 2012, 72.44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**NOTE 14 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**B. Insurance Benefits**

Life insurance, provided in the amount of \$50,000 for all employees, as well as vision coverage is 100 percent Board covered at premiums of \$8.50 for all employees and \$12.49, single and \$27.85, family, respectively per month.

**NOTE 15 – LONG - TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2012 were as follows:

	Outstanding 6/30/11	Additions	Reductions	Outstanding 6/30/12	Amounts Due Within One Year
2004 Vocational School Building Assistance Loan - \$500,000 @ 0%	\$266,669	\$0	\$33,333	\$233,336	\$33,333
Compensated Absences	1,243,769	106,575	397,912	952,432	62,106
Total Governmental Activities	<u>\$1,510,438</u>	<u>\$106,575</u>	<u>\$431,245</u>	<u>\$1,185,768</u>	<u>\$95,439</u>

Compensated absences will be paid from the General Fund.

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

Principal requirements to retire the vocational school building assistance loan outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30	Principal
2013	\$33,333
2014	33,333
2015	33,334
2016	33,334
2017	33,334
2018-2019	<u>66,668</u>
Total	<u>\$233,336</u>

The School District's overall legal debt margin was \$91,224,624, with an unvoted debt margin of \$1,016,200, at June 30, 2012.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting authority. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2012, the total amount paid to OME-RESA from the School District was \$354 for administrative fees to participate in cooperative gas purchasing services, with \$57,170 being paid directly to EnergyUSA-TPC for the purchase of natural gas, \$6,935 for technology services and \$11,000 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools (CORSA) is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The 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 \$325 for fiscal year 2012.

*Educational Regional Service System Region 12 (ERSS)* - The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 North Seventh Street, Zanesville Ohio, 43701.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 17 – PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pools**

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

*Ohio School Plan (OSP)* – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of 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.

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



**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

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

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, 2012, 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 capital improvements and budget stabilization. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Restricted Balance as of June 30, 2011	\$0	\$22,817
Current Year Set-aside Requirement	81,284	0
Current Year Qualifying Expenditures	<u>(201,708)</u>	<u>0</u>
Totals	<u>(\$120,424)</u>	<u>\$22,817</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$0</u>	<u>\$22,817</u>
Set-aside Restricted Balance as of June 30, 2012	<u>\$0</u>	<u>\$22,817</u>

The School District had current year qualifying expenditures which reduced the set-aside amount to below zero for the capital maintenance set-aside, which may not be carried forward to future years.

The total restricted balance for the set-asides at the end of the fiscal year was \$22,817.

**NOTE 19 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

**Belmont-Harrison Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**B. Litigation**

The School District is not currently party to legal proceedings.

**NOTE 20 – SUBSEQUENT EVENT**

**Energy Conservation Bonds**

On August 20, 2012, the Board of Education approved a resolution providing for the issuance and sale of Ohio House Bill 264 Energy Conservation Improvement Bonds. The bonds, with the approval of the Ohio School Facilities Commission, will be issued in an amount, including necessary financing, not to exceed \$788,687. The bonds were issued on February 12, 2013 in the amount of \$682,575.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Vocational School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 10, 2014.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

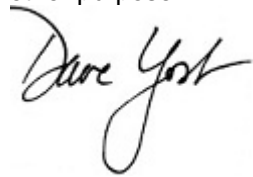
As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-001.

***Entity's Response to Finding***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 10, 2014

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2012**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Noncompliance**

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

The School District had a deficit cash fund balance in the following months in the Self-Insurance Fund:

<b>Date</b>	<b>Deficit Cash Fund Balance Amount</b>
June 30, 2012	(\$47,873)
February 29, 2012	(\$57,595)
December 31, 2011	(\$51,469)

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

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

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

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# Dave Yost • Auditor of State

**BELMONT-HARRISON VOCATIONAL SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 28, 2014**