TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ATHENS COUNTY

SINGLE AUDIT

FOR THE FISCALYEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ATHENS COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Tri-County Joint Vocational School District
Athens County
15676 State Route 691
Nelsonville, Ohio 45764

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Tri-County Joint Vocational School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tri-County Joint Vocational School District, Athens County, as of June 30, 2003, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

December 23, 2003

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TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
Assets and Other Debits:			
Assets:			
Cash and Cash Equivalents	$2,829,351	$197,574	$263,595
Receivables:			
Taxes	2,594,051	0	0
Accounts	577	0	190,637
Intergovernmental	0	2,814	0
Interfund	103,450	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	33,079	0	0
Prepaid Items	32,397	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	$5,592,905	$200,388	$454,232
Liabilities, Fund Equity and Other Credits:			
Liabilities:			
Accounts Payable	$14,124	$0	$5,110
Contracts Payable	0	0	24,418
Accrued Wages and Benefits Payable	426,499	36,854	0
Compensated Absences Payable	20,240	0	0
Interfund Payable	0	80,700	0
Intergovernmental Payable	171,020	13,489	0
Deferred Revenue	2,461,350	635	38,127
Undistributed Monies	0	0	0
Due to Students	0	0	0
Total Liabilities	3,093,233	131,678	67,655
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	17,267	105,338	352,024
Reserved for Inventory	33,079	0	0
Reserved for Property Taxes	132,701	0	0
Unreserved:			
Undesignated	2,316,625	(36,628)	34,553
Total Fund Equity and Other Credits	2,499,672	68,710	386,577
Total Liabilities, Fund Equity and Other Credits	$5,592,905	$200,388	$454,232

See accompanying notes to the general purpose financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$404,615	$58,115	$159,505	$0	$0	$3,912,755
0	0	0	0	0	2,594,051
61,952	0	0	0	0	253,166
0	0	0	0	0	2,814
0	0	0	0	0	103,450
5,142	0	0	0	0	5,142
0	0	0	0	0	33,079
0	0	0	0	0	32,397
143,530	29,310	0	3,807,903	0	3,980,743
0	0	0	0	394,067	394,067
$615,239	$87,425	$159,505	$3,807,903	$394,067	$11,311,664
$104	$0	$0	$0	$0	$19,338
0	0	0	0	0	24,418
46,109	0	0	0	0	509,462
8,823	0	0	0	392,583	421,646
22,750	0	0	0	0	103,450
25,501	41	0	0	1,484	211,535
0	0	0	0	0	2,500,112
0	0	1,918	0	0	1,918
0	0	55,405	0	0	55,405
103,287	41	57,323	0	394,067	3,847,284
0	0	0	3,807,903	0	3,807,903
511,952	87,384	0	0	0	599,336
0	0	0	0	0	474,629
0	0	0	0	0	33,079
0	0	0	0	0	132,701
0	0	102,182	0	0	2,416,732
511,952	87,384	102,182	3,807,903	0	7,464,380
$615,239	$87,425	$159,505	$3,807,903	$394,067	$11,311,664

TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2003

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
Revenues:			
Taxes	$2,503,642	$0	$0
Intergovernmental	3,341,513	633,995	0
Interest	102,209	0	0
Gifts and Donations	0	1,450	0
Miscellaneous	19,604	47,063	230,621
Total Revenues	5,966,968	682,508	230,621
Expenditures:			
Current:			
Instruction:			
Regular	307,874	26,564	0
Special	0	56,701	0
Vocational	3,383,386	315,608	0
Adult/Continuing	0	103,063	0
Support Services:			
Pupils	209,969	86,728	0
Instructional Staff	84,292	42,742	0
Board of Education	61,095	0	0
Administration	569,086	4,729	0
Fiscal	340,204	0	0
Business	41,545	0	0
Operation and Maintenance of Plant	673,394	0	0
Pupil Transportation	0	2,100	0
Central	2,180	122,065	0
Operation of Non-Instructional Services	0	667	0
Extracurricular Activities	5,708	0	0
Capital Outlay	0	0	922,256
Total Expenditures	5,678,733	760,967	922,256
Excess of Revenues Over (Under) Expenditures	288,235	(78,459)	(691,635)
Other Financing Sources (Uses):			
Operating Transfers In	0	3,500	360,000
Proceeds from Sale of Fixed Assets	862	0	0
Operating Transfers Out	(263,500)	0	0
Total Other Financing Sources (Uses)	(262,638)	3,500	360,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	25,597	(74,959)	(331,635)
Fund Balance (Deficit) at Beginning of Year	2,486,512	143,669	718,212
Increase (Decrease) in Reserve for Inventory	(12,437)	0	0
Fund Balance (Deficit) at End of Year	$2,499,672	$68,710	$386,577

See accompanying notes to the general purpose financial statements.

Expendable Trust	Totals (Memorandum Only)
$0	$2,503,642
0	3,975,508
2,590	104,799
0	1,450
0	297,288
2,590	6,882,687
0	334,438
0	56,701
1,910	3,700,904
0	103,063
0	296,697
0	127,034
0	61,095
0	573,815
0	340,204
0	41,545
0	673,394
0	2,100
0	124,245
0	667
0	5,708
0	922,256
1,910	7,363,866
680	(481,179)
0	363,500
0	862
0	(263,500)
0	100,862
680	(380,317)
101,502	3,449,895
0	(12,437)
$102,182	$3,057,141

TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2003

	GENERAL FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$2,250,000	$2,531,965	$281,965
Intergovernmental	3,259,312	3,341,513	82,201
Interest	85,000	102,209	17,209
Gifts and Donations	0	0	0
Miscellaneous	2,150	19,138	16,988
Total Revenues	5,596,462	5,994,825	398,363
Expenditures:			
Current:			
Instruction:			
Regular	302,653	296,401	6,252
Special	0	0	0
Vocational	3,556,759	3,289,148	267,611
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	196,609	198,758	(2,149)
Instructional Staff	111,171	82,691	28,480
Board of Education	62,218	68,442	(6,224)
Administration	692,060	647,143	44,917
Fiscal	368,907	347,557	21,350
Business	109,399	47,252	62,147
Operation and Maintenance of Plant	781,984	699,168	82,816
Pupil Transportation	0	0	0
Central	6,850	2,180	4,670
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	5,695	5,690	5
Capital Outlay	0	0	0
Total Expenditures	6,194,305	5,684,430	509,875
Excess of Revenues Over (Under) Expenditures	(597,843)	310,395	908,238
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	500	862	362
Advances In	332,750	246,145	(86,605)
Operating Transfers Out	(267,197)	(263,500)	3,697
Advances Out	(91,750)	(91,750)	0
Total Other Financing Sources (Uses)	(25,697)	(108,243)	(82,546)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(623,540)	202,152	825,692
Fund Balances at Beginning of Year	2,555,736	2,555,736	0
Prior Year Encumbrances Appropriated	47,254	47,254	0
Fund Balances at End of Year	$1,979,450	$2,805,142	$825,692

See accompanying notes to the general purpose financial statements.

GOVERNMENTAL FUND TYPES

SPECIAL REVENUE FUNDS			***CAPITAL PROJECTS FUND***		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
$0	$0	$0	$0	$0	$0
905,365	776,816	(128,549)	0	0	0
0	0	0	0	0	0
1,450	1,450	0	0	0	0
46,947	47,063	116	593,000	392,000	(201,000)
953,762	825,329	(128,433)	593,000	392,000	(201,000)
26,695	26,564	131	0	0	0
148,575	75,842	72,733	0	0	0
371,549	354,963	16,586	0	0	0
116,200	103,063	13,137	0	0	0
0	0	0	0	0	0
98,418	93,798	4,620	0	0	0
52,492	46,179	6,313	0	0	0
0	0	0	0	0	0
4,729	4,729	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,600	2,100	1,500	0	0	0
187,636	187,238	398	0	0	0
1,000	667	333	0	0	0
0	0	0	0	0	0
0	0	0	1,349,296	1,284,113	65,183
1,010,894	895,143	115,751	1,349,296	1,284,113	65,183
(57,132)	(69,814)	(12,682)	(756,296)	(892,113)	(135,817)
3,500	3,500	0	360,000	360,000	0
0	0	0	0	0	0
91,000	91,000	0	0	0	0
0	0	0	0	0	0
(322,145)	(242,145)	80,000	0	0	0
(227,645)	(147,645)	80,000	360,000	360,000	0
(284,777)	(217,459)	67,318	(396,296)	(532,113)	(135,817)
179,265	179,265	0	219,049	219,049	0
132,184	132,184	0	195,109	195,109	0
$26,672	$93,990	$67,318	$17,862	($117,955)	($135,817)

(Continued)

TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2003

	EXPENDABLE TRUST FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$0	$0	$0
Intergovernmental	0	0	0
Interest	0	2,590	2,590
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	0	2,590	2,590
Expenditures:			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	10,000	1,910	8,090
Adult/Continuing	0	0	0
Other	10,000	0	10,000
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Total Expenditures	20,000	1,910	18,090
Excess of Revenues Over (Under) Expenditures	(20,000)	680	20,680
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(20,000)	680	20,680
Fund Balances at Beginning of Year	99,545	99,545	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances at End of Year	$79,545	$100,225	$20,680

See accompanying notes to the general purpose financial statements.

TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
$2,250,000	$2,531,965	$281,965
4,164,677	4,118,329	(46,348)
85,000	104,799	19,799
1,450	1,450	0
642,097	458,201	(183,896)
7,143,224	7,214,744	71,520
329,348	322,965	6,383
148,575	75,842	72,733
3,938,308	3,646,021	292,287
116,200	103,063	13,137
10,000	0	10,000
295,027	292,556	2,471
163,663	128,870	34,793
62,218	68,442	(6,224)
696,789	651,872	44,917
368,907	347,557	21,350
109,399	47,252	62,147
781,984	699,168	82,816
3,600	2,100	1,500
194,486	189,418	5,068
1,000	667	333
5,695	5,690	5
1,349,296	1,284,113	65,183
8,574,495	7,865,596	708,899
(1,431,271)	(650,852)	780,419
363,500	363,500	0
500	862	362
423,750	337,145	(86,605)
(267,197)	(263,500)	3,697
(413,895)	(333,895)	80,000
106,658	104,112	(2,546)
(1,324,613)	(546,740)	777,873
3,053,595	3,053,595	0
374,547	374,547	0
$2,103,529	$2,881,402	$777,873

TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2003

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues:			
Tuition	$561,926	$0	$561,926
Sales	127,672	0	127,672
Charges for Services	42,779	52,598	95,377
Other Operating Revenues	13,674	0	13,674
Total Operating Revenues	746,051	52,598	798,649
Operating Expenses:			
Salaries	390,679	18,009	408,688
Fringe Benefits	142,490	5,474	147,964
Purchased Services	222,455	0	222,455
Materials and Supplies	161,913	596	162,509
Cost of Sales	35,183	0	35,183
Depreciation	31,240	721	31,961
Other Operating Expenses	6,618	0	6,618
Total Operating Expenses	990,578	24,800	1,015,378
Operating Income (Loss)	(244,527)	27,798	(216,729)
Nonoperating Revenues (Expenses):			
Federal Donated Commodities	8,681	0	8,681
Federal and State Subsidies	303,779	0	303,779
Loss on Disposal of Fixed Assets	(2,687)	0	(2,687)
Total Nonoperating Revenues (Expenses)	309,773	0	309,773
Income (Loss) Before Operating Transfers	65,246	27,798	93,044
Operating Transfers In	25,000	0	25,000
Operating Transfers Out	(125,000)	0	(125,000)
Net Income (Loss)	(34,754)	27,798	(6,956)
Retained Earnings at Beginning of Year	546,706	59,586	606,292
Retained Earnings at End of Year	$511,952	$87,384	$599,336

See accompanying notes to the general purpose financial statements.

TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2003

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Sales	$126,712	$0	$126,712
Cash Received from Tuition and Charges for Services	575,794	52,598	628,392
Cash Payments for Employees Services and Benefits	(530,888)	(23,447)	(554,335)
Cash Payments to Suppliers for Goods and Services	(415,097)	(596)	(415,693)
Other Operating Revenues	13,674	0	13,674
Other Operating Expenses	(5,837)	0	(5,837)
Net Cash from Operating Activities	(235,642)	28,555	(207,087)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	307,565	0	307,565
Operating Transfers In	25,000	0	25,000
Operating Transfers Out	(125,000)	0	(125,000)
Advances In	750	0	750
Advances Out	(4,000)	0	(4,000)
Net Cash from Noncapital Financing Activities	204,315	0	204,315
Cash Flows from Capital Financing Activities:			
Cash Payments for Capital Acquisitions	(44,868)	0	(44,868)
Net Cash from Capital Financing Activities	(44,868)	0	(44,868)
Net Increase (Decrease) in Cash and Cash Equivalents	(76,195)	28,555	(47,640)
Cash and Cash Equivalents at Beginning of Year	480,810	29,560	510,370
Cash and Cash Equivalents at End of Year	$404,615	$58,115	$462,730
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Operating Income (Loss)	($244,527)	$27,798	($216,729)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation	31,240	721	31,961
Donated Commodities Revenue Recognized During Year	8,681	0	8,681
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(29,872)	0	(29,872)
(Increase) Decrease in Inventory Held for Resale	(1,918)	0	(1,918)
Increase (Decrease) in Accounts Payable	(2,310)	0	(2,310)
Increase (Decrease) in Accrued Wages and Benefits Payable	(17,529)	0	(17,529)
Increase (Decrease) in Intergovernmental Payable	16,410	36	16,446
Increase (Decrease) in Compensated Absences Payable	4,183	0	4,183
Total Adjustments	8,885	757	9,642
Net Cash from Operating Activities	($235,642)	$28,555	($207,087)

See accompanying notes to the general purpose financial statements.

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Tri-County Joint Vocational School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The District includes eight participating districts spread throughout Athens, Hocking and Perry Counties.

The District operates under a eleven-member Board of Education and is responsible for the provision of public education to residents of the District. The Board of Education of the District is not directly elected. The Board is made up from members of the elected boards of the participating school districts. The Board consists of five members from the three city school districts and six members from the two county educational service center districts. The District has an enrollment of 496 students and is staffed by 33 classified, 66 certified and 4 administrative employees.

Reporting Entity

The financial reporting entity consists of the stand-alone government, component units, and other governmental organizations that are included to ensure the financial statements of the District are not misleading or incomplete. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, include student guidance, extra-curricular activities, educational media, care and upkeep of grounds and buildings, food service, and adult education.

Component units are legally separate organizations for which the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approved the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The District is involved with the Southeastern Ohio Voluntary Education Cooperative (SEOVEC), Southeastern Ohio Special Education Regional Resource Center (SERRC), and the Athens County School Employees Health and Welfare Benefit Association, which are defined as jointly governed organizations. The District is also associated with the Ohio School Boards Association Workers' Compensation Group Rating Program which is defined as an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

> ***General Fund*** - The General Fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Special Revenue Funds*** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.
>
> ***Capital Projects Fund*** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the District's fiduciary fund types:

Expendable Trust Fund - This fund accounts for resources, including both principal and earnings which must be expended according to the provision of a trust agreement. The Expendable Trust Fund is accounted for in essentially the same manner as governmental funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for proprietary funds.

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 District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the 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 the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the 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 year end: property taxes available as an advance, grants, tuition and student fees.

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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The measurement focus of governmental and expendable trust 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. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in a debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by proprietary fund types. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with the amount eligible for use during the year being reported as donated commodities revenue.

Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

> ***Tax Budget***: Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Athens County Budget Commission for rate determination.

> ***Estimated Resources***: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate requested during fiscal year 2003.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations*:* Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the fund level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, there were nine supplemental appropriations enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Encumbrances*:* As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations*:* At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Cash and Investments

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet. The District credits interest to the General and Expendable Trust Funds. Interest revenue credited to the General Fund during fiscal year 2003 amounted to $102,209, which includes $30,647 assigned from other District funds. In addition, the Special Trust (Expendable Trust) Fund was credited $2,590 in interest revenue.

During fiscal year 2003, the District's investments were limited to a savings account and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of three hundred dollars. The 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Depreciation of buildings, improvements, furniture and equipment is computed using the straight-line method over an estimated useful life.

Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables." Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve accounts which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

Compensated Absences

Vacation benefits and related salary payments 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Sick leave benefits and related salary payments are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified, certified, and administrative employees after twenty years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

In general, governmental and expendable trust fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental and expendable trust funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Balance Reserves

The District reserves fund balance for amounts that are legally segregated for specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund is presented on the budget basis to provide a meaningful comparison of actual results with the budget. The advances in and advances out on this statement are different as a result advances made into the Enterprise Funds. The major differences between the budget basis and GAAP basis are that:

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

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

4. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budget basis statements by fund type:

Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Capital Projects
GAAP Basis	$25,597	($74,959)	($331,635)
Net Adjustment for Revenue Accruals	27,857	142,821	161,379
Net Adjustment for Expenditure Accruals and Encumbrances	(5,697)	(134,176)	(361,857)
Net Adjustment for Other Financing Sources (Uses)	154,395	(151,145)	0
Budget Basis	$202,152	($217,459)	($532,113)

A reconciliation for the Expendable Trust Fund is not presented since there are no differences between the GAAP basis and budget basis statements.

NOTE 4 - ACCOUNTABILITY

Fund Deficits

Fund balances at June 30, 2003 included the following individual fund deficits:

Special Revenue Funds:	
Other Grants	$91,581
Driver's Education	250
Network System	5,005
Vocational Education	26,641
Pell Grant	638
Miscellaneous Federal Grants	4,143

The deficit in each of these funds is the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. These deficits will be eliminated as future expected revenues are received. These deficits do not exist on the cash basis. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

State statutes requires the classification of monies held by the District into three categories:

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two 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 accounts including pass book accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAROhio); and

7. Certain bankers' acceptances and commercial paper notes, for a period not to exceed one hundred and eighty days, in an amount not to exceed twenty-five percent of interim moneys available for investment at any time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits: At fiscal year-end, the carrying amount of the District's deposits was $3,912,755 and the bank balance was $4,012,135. Of the bank balance, $200,000 was covered by federal deposit insurance, $900,000 was collateralized with securities held by the District or by its agency in the District's name, and $2,912,135 was considered uninsured and uncollateralized, although it was covered by a collateral pool, allowed under Ohio Revised Code Section 135.181. Although the pledging institution and the District met all State statutory requirements for the deposit of money, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District held no investments at year end.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second - Half Collections		2003 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$924,733,270	81.3%	$929,118,050	81.5%
Public Utility Personal	119,205,720	10.5%	116,681,880	10.3%
Tangible Personal Property	93,857,786	8.2%	93,916,883	8.2%
Total Assessed Value	$1,137,796,776	100.0%	$1,139,716,813	100.0%
Tax Rate per $1,000 of Assessed Valuation	$3.30		$3.30	

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 earlier or later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Athens, Hocking, Meigs, Morgan, Perry, and Vinton Counties. The County Auditor of each county periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2003 is available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The District had $132,701 available for advance to the General Fund at June 30, 2003.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (tuition and fees), intergovernmental grants and entitlements, and interfund. 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. A summary of the principal items of intergovernmental receivable follows:

Special Revenue Funds:	
Adult Education Full Service	$2,179
Vocational Education	635
Total Intergovernmental Receivable	$2,814

NOTE 8 - FIXED ASSETS

A summary of the proprietary funds' fixed assets at June 30, 2003 follows:

	Enterprise	Internal Service
Furniture and Equipment	$373,817	$455,918
Less: Accumulated Depreciation	(230,287)	(426,608)
Net Fixed Assets	$143,530	$29,310

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Land	$26,308	$0	$0	$26,308
Building and Improvements	4,105,896	0	0	4,105,896
Furniture, Fixtures, and Equipment	4,367,326	438,749	103,420	4,702,655
Totals	8,499,530	$438,749	$103,420	8,834,859
Less: Accumulated Depreciation	(4,350,199)			(5,026,956)
Net Fixed Assets	$4,149,331			$3,807,903

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with various commercial carriers for property and fleet insurance, inland marine insurance, and liability insurance, and with the Ohio School Boards Association Bond Program for public official bonds. Coverages provided at June 30, 2003 are as follows:

Building and Contents-replacement cost ($1,000 deductible)	$12,444,768
Inland Marine Coverage ($1,000 deductible)	210,000
Automobile Liability ($0 deductible)	500,000
Automobile Medical Payments	5,000
Uninsured Motorists ($0 deductible)	500,000
General Liability:	
Medical Expense Limit (any one person)	5,000
Fire Damage Limit (any one fire)	100,000
Per Occurrence	3,000,000
Total Per Year	5,000,000
School Leaders Errors and Omissions ($5,000 deductible)	1,000,000
Public Official Bonds:	
Treasurer	250,000
Superintendent, Board President, Board Vice-President (each)	20,000
Employee Blanket Bond	2,500

Settled claims have not exceeded this commercial coverage in any of the past three years. The only significant changes in coverage from last year was in building and contents, general liability, and errors and omissions.

Workers' Compensation

For fiscal year 2003, the 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 District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were $76,675, $34,716, and $35,138, respectively; 100 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. There are no unpaid contributions at the end of fiscal year 2003.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Of the District's contribution, 13 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001, were $475,573, $338,594, and $303,596, respectively; 82.95 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. $81,093 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $36,583 during fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $3.011 billion at June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS were $354,697,000 and STRS had 105,300 eligible benefit recipients.

NOTE 11 - POST-EMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivorship benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For fiscal year 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at $14,500. The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were $182,946,777 and the target level was $274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of $335.2 million. The number of participants currently receiving health care benefits is approximately 50,000. For the District, the amount to fund health care benefits, including the surcharge, equaled $57,735 during the 2003 fiscal year.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators (including the Superintendent and Treasurer) earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is not paid to classified employees upon termination of employment; however, employees are encouraged to exhaust accumulated and unused vacation time prior to termination. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 320 days for teachers, administrators and classified employees. Upon retirement, teachers, administrators and classified employees receive one-fourth of the total sick leave accumulation up to a maximum of seventy five (75) days.

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during fiscal year 2003 were as follows:

	Principal Outstanding June 30, 2002	Additions	Deletions	Principal Outstanding June 30, 2003
Compensated Absences Payable	$363,239	$29,344	$0	$392,583
Intergovernmental Payable	1,270	1,484	1,270	1,484
Property Tax Refund Payable	7,054	0	7,054	0
Totals	$371,563	$30,828	$8,324	$394,067

Compensated absences and intergovernmental payable will be paid from the fund from which the employee is paid. Property tax refund payable is deducted from the tax settlement of the General Fund by the Athens County Auditor.

NOTE 14 - INTERFUND RECEIVABLES/PAYABLES

Interfund balances at June 30, 2003 were comprised of the following interfund receivable and interfund payables:

	Interfund Receivable	Interfund Payable
General Fund	$103,450	$0
Special Revenue Funds:		
Adult Education Full Service	0	5,000
Miscellaneous State Grants	0	450
Vocational Education	0	45,000
Network System	0	10,000
Miscellaneous Federal Grants	0	20,000
Driver's Education	0	250
Total Special Revenue Funds	103,450	80,700
Enterprise Funds:		
Food Service	0	22,000
Rotary-Special Services	0	750
Total Enterprise Funds	0	22,750
Totals	$103,450	$103,450

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains five Enterprise Funds to account for the operations of food service, uniform school supplies, rotary, adult education, and virtual learning. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the District as of and for the fiscal year ended June 30, 2003.

	Food Service	Uniform School Supplies	Rotary - Special Services	Adult Education	Virtual Learning	Total Enterprise Funds
Operating Revenues	$56,514	$58,912	$43,028	$581,112	$6,485	$746,051
Operating Expenses Before Depreciation	111,389	61,583	47,175	735,091	4,100	959,338
Depreciation	5,492	386	1,394	23,968	0	31,240
Operating Income (Loss)	(60,367)	(3,057)	(5,541)	(177,947)	2,385	(244,527)
Donated Commodities	8,681	0	0	0	0	8,681
Operating Grants	36,146	0	0	267,633	0	303,779
Loss on Disposal of Assets	283	0	0	2,404	0	2,687
Operating Transfers In	0	0	0	25,000	0	25,000
Operating Transfers Out	0	0	0	125,000	0	125,000
Net Income (Loss)	(15,823)	(3,057)	(5,541)	(12,718)	2,385	(34,754)
Fixed Asset Additions	1,662	0	0	43,206	0	44,868
Fixed Asset Deletions	(2,821)	0	0	(12,783)	0	(15,604)
Net Working Capital	(23,929)	49,299	75,065	265,602	2,385	368,422
Total Assets	48,314	52,876	82,864	428,800	2,385	615,239
Total Liabilities	31,713	0	1,531	70,043	0	103,287
Total Equity	16,601	52,876	81,333	358,757	2,385	511,952

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Education Cooperative

Southeastern Ohio Voluntary Education Cooperative (SEOVEC) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. SEOVEC has 35 participants consisting of 26 school districts and 9 county boards of education. SEOVEC provides financial accounting services, educational management information system, and cooperative purchase services to member districts. Each member district pays an annual fee for services provided by SEOVEC. SEOVEC is governed by a board of directors which is selected by the member districts. Each district has one vote in all matters; and each member district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SEOVEC is not dependent on the District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. The District made a payment of $8,433 for membership in fiscal year 2003. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, P.O. Box 1250, Athens, Ohio 45701.

Southeastern Ohio Special Education Regional Resource Center

The Southeastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Tri-County Joint Vocational School District's Superintendent is on the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

Athens County School Employees Health and Welfare Benefit Association

The District is a participant in a consortium of seven district to operate the Athens County School Employees Health and Welfare Benefit Association. The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be the health care provider for medical benefits as well as to provide aggregate and specific stop-loss insurance coverage, and Coresource to provide administration of its dental benefits. The Association is governed by a Board of Directors consisting of one representative of each of the participating districts. Financial information for the Association can be obtained from the administrators at Combs & Associates, P.O. Box 735, Kenton, Ohio 43326.

NOTE 17 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The 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 Ohio School Boards Association (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.

NOTE 18 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 District at June 30, 2003.

NOTE 19 - STATUTORY SET-ASIDES

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2003:

	Textbook	Capital Improvements	Budget Stabilization	Totals
Set-Aside Balance as of July 1, 2002	$0	$0	$108,983	$108,983
Current Year Set-Aside Requirement	73,689	73,689	0	147,378
Qualifying Disbursements	(91,168)	(1,081,831)	(108,983)	(1,281,982)
Total	(17,479)	(1,008,142)	0	(1,025,621)
Set-Aside Balance as of June 30, 2003	$0	$0	$0	
Total Restricted Assets				$0

Although the District had qualifying disbursements during the year that exceeded the current year set-aside requirements in both the textbook and capital improvement reserve accounts, only the excess in the textbook reserve account may be carried forward to offset future years' textbook set-aside requirements. Each reserve must be represented by restricted cash at year-end and carried forward to be used for the same purposes in future years.

NOTE 20 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed the earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 21 - NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements are effective for the District's year ending June 30, 2004. The District has not completed an analysis of the impact of these statements on its reported financial condition and results of operations.

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TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ATHENS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
Pass through Ohio Department of Education						
Nutrition Cluster:						
Food Donation	10.550	N/A	$ -	$ 8,367	$ -	$ 8,367
National School Lunch Program	10.555	LL-P4-02	9,530	0	9,530	0
		LL-P4-03	28,397	0	28,397	0
Total National School Lunch Program			37,927	0	37,927	0
Total Nutrition Cluster			37,927	8,367	37,927	8,367
Total United States Department of Agriculture			37,927	8,367	37,927	8,367
UNITED STATES DEPARTMENT OF LABOR						
Passed through the Ohio Department of Education						
WIA Adult Program	17.258	WFHS-03	11,048	0	15,224	0
Total United States Department of Labor			11,048	0	15,224	0
UNITED STATES DEPARTMENT OF EDUCATION						
Direct from the Federal Government						
Federal Pell Grant Program	84.063	N/A	101,953	0	102,591	0
Passed through the Ohio Department of Education						
Vocational Education-Basic Grants to States	84.048	20-A0-01	21,203	0	21,203	0
		20-A0-01	3,724	0	3,724	0
		20-C1-02	200,892	0	82,785	0
		20-C1-02	292,014	0	299,594	0
Total Vocational Education-Basic Grants to States			517,833	0	407,306	0
Safe & Drug-Free Schools and Communities - State Grants	84.186	DR-S1-03	1,479	0	1,480	0
Eisenhower Professional Development State Grants	84.281	MS-S1-01	145			
		MS-S1-02	145	0	875	0
Total Eisenhower Professional Development State Grants			290	0	875	0
Innovative Education Program Strategies	84.298	C2-S1-02	603	0	397	0
		C2-S1-03	2,492	0	2,361	0
Total Innovative Education Program Strategies			3,095	0	2,758	0
Improving Teacher Quality State Grants	84.367	TR-S1-03	2,798	0	2,798	0
Total United States Department of Education			627,448	0	517,808	0
Total Federal Awards Receipts and Expenditures			**$ 676,423**	**$ 8,367**	**$ 570,959**	**$ 8,367**

The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an intergral part of the Schedule.

TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ATHENS COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. As of June 30, 2003, the School District had no significant food commodities in inventory.

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Tri-County Joint Vocational School District
Athens County
15676 State Route 691
Nelsonville, Ohio 45764

We have audited the financial statements of the Tri-County Joint Vocational School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 23, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 23, 2003.

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This report is intended solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

December 23, 2003

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERALS PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Tri-County Joint Vocational School District
Athens County
15676 State Route 691
Nelsonville, Ohio 45764

Compliance

We have audited the compliance of the Tri-County Joint Vocational School District, Athens County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

December 23, 2003

TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ATHENS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Vocational Education Basic Grants to States CFDA #84.048
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

Auditor of State
Betty Montgomery

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TRI-COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

ATHENS 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 27, 2004