

BELMONT-HARRISON JOINT VOCATIONAL SCHOOL DISTRICT
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Belmont-Harrison Joint Vocational School District, Belmont County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 12, 2006

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Joint Vocational School District, Belmont County as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Joint Vocational School District, Belmont County as of June 30, 2004, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

As described in Note 3, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis-for-State and Local Governments* as of June 30, 2004. The District has also adopted GASB Statements Nos. 37, 38, 39, 41, and Interpretation No. 6 for the year ending June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2006, on our consideration of Belmont-Harrison Joint Vocational School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 7, 2006

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Belmont-Harrison Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Belmont-Harrison Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2004 are as follows:

- In total, net assets decreased \$670,896.
- General revenues accounted for \$3,912,913 in revenue or 68 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,810,009 or 32 percent of total revenues of \$5,722,922.
- Total assets of governmental activities increased \$76,341 primarily due to an increase in equity in pooled cash and cash equivalents, which was offset slightly by the decrease in capital assets.
- The School District had \$6,393,818 in expenses related to governmental activities; only \$1,810,009 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$3,912,913 were not adequate to provide for these programs.
- The School District has two major funds, the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$5,305,809 in revenues and \$5,507,807 in expenditures. The General Fund's balance decreased \$211,998. The Permanent Improvement Fund's balance increased \$500,000 due to the issuance of the Vocational School Building Assistance Loan.

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, 2004
Unaudited

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 2004?" 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.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects 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, 2004
Unaudited

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 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$3,660,914	\$3,564,564
Capital Assets	2,292,152	2,312,161
Total Assets	5,953,066	5,876,725
Liabilities		
Long-Term Liabilities	1,572,949	976,351
Other Liabilities	2,195,021	2,044,382
Total Liabilities	3,767,970	3,020,733
Net Assets		
Invested in Capital Assets	2,292,152	2,312,161
Restricted	41,091	26,871
Unrestricted	(148,147)	516,960
Total Net Assets	\$2,185,096	\$2,855,992

Total assets increased \$76,341. The increase was primarily due to an increase in equity in pooled cash and cash equivalents, which was offset slightly by current year depreciation expense on capital assets.

Total liabilities increased \$747,237. The primary cause for this increase was a result of the School District receiving a zero percent interest Vocational School Building Assistance Loan for a roofing project as well as increased liabilities for claims payable and accounts payable in conjunction with the District terminating participation in the self-funded insurance plan, See Note 23, Subsequent Events for further details.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year Belmont-Harrison Vocational School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years,

Belmont-Harrison Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities
	2004
Revenues	
Program Revenues	
Charges for Services	\$116,569
Operating Grants and Contributions	1,693,440
Total Program Revenues	<u>1,810,009</u>
General Revenues	
Property Taxes	1,353,714
Grants and Entitlements not Restricted to Specific Programs	2,521,487
Investments	25,358
Other	12,354
Total General Revenues	<u>3,912,913</u>
Total Revenues	<u>5,722,922</u>
Program Expenses	
Instruction	
Regular	407,608
Vocational	3,305,132
Support Services	
Pupil	942,258
Instructional Staff	98,267
Board of Education, Administration, and Fiscal	877,241
Operation and Maintenance of Plant	538,762
Central	28,651
Operation of Non-Instructional Services	7,366
Food Service Operations	157,453
Extracurricular Activities	31,080
Total Expenses	<u>6,393,818</u>
Decrease in Net Assets	<u>(\$670,896)</u>

In 2004, 24 percent of the School District's revenues were from property taxes and 44 percent were from unrestricted grants and entitlements. Program revenues accounted for 32 percent of the School District's revenues in fiscal year 2004. These revenues consist of customer sales, tuition and fees, charges for providing lunches to students, grants for specified purposes, and contributions and donations.

Belmont-Harrison Vocational School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Instructional programs comprise approximately 58 percent of total governmental program expenses. Of the instructional expenses, approximately 11 percent is for regular instruction and 89 percent for vocational instruction.

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. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements. Comparisons to 2003 have not been made since they are not available.

Table 3
Governmental Activities

	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
Instruction		
Regular	\$407,608	\$393,580
Vocational	3,305,132	1,912,758
Support Services		
Pupil	942,258	787,714
Instructional Staff	98,267	11,633
Board of Education, Administration and Fiscal	877,241	868,186
Operation and Maintenance of Plant Central	538,762	538,762
Operation of Non-Instructional Services	28,651	13,867
Food Service Operations	7,366	560
Extracurricular Activities	157,453	33,083
<i>Total Expenses</i>	<u>31,080</u>	<u>23,666</u>
	<u>\$6,393,818</u>	<u>\$4,583,809</u>

The School District's program revenue provides approximately 28 percent of the total cost of services, while the dependence upon tax revenues and state and federal subsidies for governmental activities is apparent, as 62 percent of expenses are supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,724,147 and expenditures of \$5,937,928. As apparent, the School District's expenditures exceeded revenues during the fiscal year.

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.

Belmont-Harrison Vocational School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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During the course of fiscal 2004 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004 the School District had \$2,292,152 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$1,093,909	\$1,093,909
Land Improvements	877	1,036
Buildings and Improvements	442,391	535,005
Furniture and Equipment	666,355	580,688
Vehicles	88,620	101,523
Totals	<u>\$2,292,152</u>	<u>\$2,312,161</u>

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

Debt

At June 30, 2004, the School District had a \$500,000 vocational school building assistance loan outstanding.

Table 5
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	2004	2003
2004 Vocational School Building Assistance Loan	<u>\$500,000</u>	<u>\$0</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, 2004
Unaudited

Economic Factors

The Belmont-Harrison Vocational School District has been greatly impacted by the adoption of Rule 3301-61-16, for the use of vocational education additional weighted cost funds and vocational education associated service funds. This rule outlined the designated purposes for the use of vocational education weighted cost funds. It stated that state vocational education additional weighted cost funds shall only be expended on costs associated with the delivery of vocational programming to vocational students. At least 75 percent of such funds must be spent on curriculum development and purchase, student assessment, instructional resources and supplies, vocational student organization dues or expenses, work site learning experience cost, home and agency linkages costs, vocational programming, curriculum specific instructional equipment purchases or leases, professional development, industry based program certification, student credentialing and costs directly associated to vocational education programs, excluding indirect and administrative costs.

In fiscal year 2004, the School District spent \$736,103 on vocational weighted costs. These weighted costs are allowable amounts used for the textbook set-aside requirement which along with the prior year carryover amounts have resulted in the School District exceeding the textbook reserve set aside requirement by \$2,074,675 at the end of fiscal year 2004.

Contacting the School District's Financial Management

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

Belmont-Harrison Vocational School District
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,054,196
Accrued Interest Receivable	12,454
Intergovernmental Receivable	34,942
Prepaid Items	86,131
Materials and Supplies Inventory	22,090
Property Taxes Receivable	1,451,101
Non-Depreciable Capital Assets	1,093,909
Depreciable Capital Assets, Net	<u>1,198,243</u>
<i>Total Assets</i>	<u>5,953,066</u>
Liabilities	
Accounts Payable	191,835
Accrued Wages and Benefits Payable	542,556
Intergovernmental Payable	82,747
Claims Payable	143,586
Deferred Revenue	1,234,297
Long-Term Liabilities:	
Due Within One Year	62,917
Due In More Than One Year	<u>1,510,032</u>
<i>Total Liabilities</i>	<u>3,767,970</u>
Net Assets	
Invested in Capital Assets	2,292,152
Restricted for:	
Set Asides	22,817
Other Purposes	18,274
Unrestricted (Deficit)	<u>(148,147)</u>
<i>Total Net Assets</i>	<u><u>\$2,185,096</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, 2004

	Program Revenues	
Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities		
Instruction:		
Regular	\$407,608	\$3,250
Vocational	3,305,132	35,683
Support Services:		
Pupil	942,258	0
Instructional Staff	98,267	0
Board of Education	30,634	0
Administration	593,722	345
Fiscal	252,885	0
Operation and Maintenance of Plant	538,762	0
Central	28,651	0
Operation of Non-Instructional Services	7,366	6,806
Food Service Operations	157,453	63,071
Extracurricular Activities	31,080	7,414
<i>Total Governmental Activities</i>	<u>\$6,393,818</u>	<u>\$116,569</u>

General Revenues

Property Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental
Activities

(\$393,580)

(1,912,758)

(787,714)

(11,633)

(30,634)

(584,667)

(252,885)

(538,762)

(13,867)

(560)

(33,083)

(23,666)

(4,583,809)

1,353,714

2,521,487

25,358

12,354

3,912,913

(670,896)

2,855,992

\$2,185,096

Belmont-Harrison Vocational School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,485,176	\$500,000	\$35,203	\$2,020,379
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	33,817	0	0	33,817
Receivables:				
Property Taxes	1,451,101	0	0	1,451,101
Intergovernmental	0	0	34,942	34,942
Accrued Interest	12,454	0	0	12,454
Interfund	179,524	0	0	179,524
Prepaid Items	86,131	0	0	86,131
Materials and Supplies Inventory	19,633	0	2,457	22,090
<i>Total Assets</i>	<u>\$3,267,836</u>	<u>\$500,000</u>	<u>\$72,602</u>	<u>\$3,840,438</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$4,838	\$0	\$0	\$4,838
Accrued Wages and Benefits	528,678	0	13,878	542,556
Interfund Payable	0	0	35,292	35,292
Intergovernmental Payable	71,653	0	2,833	74,486
Deferred Revenue	1,392,323	0	34,942	1,427,265
<i>Total Liabilities</i>	<u>1,997,492</u>	<u>0</u>	<u>86,945</u>	<u>2,084,437</u>
Fund Balances (Deficit)				
Reserved for Encumbrances	43,599	0	25,546	69,145
Reserved for Property Taxes	67,194	0	0	67,194
Reserved for Budget Stabilization	22,817	0	0	22,817
Reserved for Underground Storage Tank	11,000	0	0	11,000
Unreserved, Undesignated, Reported in:				
General Fund	1,125,734	0	0	1,125,734
Special Revenue Funds	0	0	(39,889)	(39,889)
Capital Projects Funds	0	500,000	0	500,000
<i>Total Fund Balances (Deficit)</i>	<u>1,270,344</u>	<u>500,000</u>	<u>(14,343)</u>	<u>1,756,001</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,267,836</u>	<u>\$500,000</u>	<u>\$72,602</u>	<u>\$3,840,438</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, 2004*

Total Governmental Fund Balances \$1,756,001

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

Capital assets used in governmental activities are not financial
resources and therefore are deferred in the funds. 2,292,152

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

Grants	34,942
Property Taxes	145,572
Interest	<u>12,454</u>

Total 192,968

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. (474,815)

Intergovernmental payable includes contractually required pension
contributions not expected to be paid with available resources,
and therefore, are not reported in the funds. (8,261)

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

Compensated Absences	1,072,949
Vocational School Building Assistance Loan	<u>500,000</u>

Total (1,572,949)

Net Assets of Governmental Activities \$2,185,096

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, 2004

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,351,285	\$0	\$0	\$1,351,285
Intergovernmental	3,881,041	0	341,047	4,222,088
Interest	21,851	0	0	21,851
Tuition and Fees	28,527	0	0	28,527
Extracurricular Activities	345	0	14,220	14,565
Charges for Services	10,406	0	63,071	73,477
Miscellaneous	12,354	0	0	12,354
<i>Total Revenues</i>	<u>5,305,809</u>	<u>0</u>	<u>418,338</u>	<u>5,724,147</u>
Expenditures				
Current:				
Instruction:				
Regular	359,773	0	11,778	371,551
Vocational	3,064,132	0	0	3,064,132
Support Services:				
Pupil	730,542	0	149,323	879,865
Instructional Staff	1,432	0	84,295	85,727
Board of Education	30,825	0	0	30,825
Administration	527,859	0	8,610	536,469
Fiscal	235,644	0	0	235,644
Operation and Maintenance of Plant	518,272	0	0	518,272
Central	15,326	0	13,325	28,651
Operation of Non-Instructional Services	453	0	6,913	7,366
Food Service Operations	0	0	148,346	148,346
Extracurricular Activities	23,549	0	7,531	31,080
<i>Total Expenditures</i>	<u>5,507,807</u>	<u>0</u>	<u>430,121</u>	<u>5,937,928</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(201,998)</u>	<u>0</u>	<u>(11,783)</u>	<u>(213,781)</u>
Other Financing Sources (Uses)				
Vocational School Building Loan Issued	0	500,000	0	500,000
Transfers In	0	0	10,000	10,000
Transfers Out	(10,000)	0	0	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>500,000</u>	<u>10,000</u>	<u>500,000</u>
<i>Net Change in Fund Balances</i>	(211,998)	500,000	(1,783)	286,219
<i>Fund Balances (Deficit) Beginning of Year - Restated (Note 3)</i>	<u>1,482,342</u>	<u>0</u>	<u>(12,560)</u>	<u>1,469,782</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$1,270,344</u></u>	<u><u>\$500,000</u></u>	<u><u>(\$14,343)</u></u>	<u><u>\$1,756,001</u></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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$286,219

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 Outlay	164,874	
Depreciation	(184,883)	
Total	(20,009)	(20,009)

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

Grants	(7,161)	
Property Taxes	2,429	
Interest	3,507	
Total	(1,225)	(1,225)

Vocational School Building Assistance Loan issued is an other financing source in governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (500,000)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables, which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Intergovernmental Payable	1,563	
Compensated Absences Payable	(96,598)	
Total	(95,035)	(95,035)

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. (340,846)

Changes in Net Assets of Governmental Activities (\$670,896)

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, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,283,000	\$1,335,977	\$1,336,737	\$760
Intergovernmental	3,883,072	3,892,406	3,881,041	(11,365)
Interest	30,050	21,169	21,851	682
Tuition and Fees	6,100	27,850	28,527	677
Extracurricular Activities	0	345	345	0
Contributions and Donations	200	200	0	(200)
Charges for Services	11,500	11,500	10,406	(1,094)
Miscellaneous	12,000	12,354	12,354	0
<i>Total Revenues</i>	<u>5,225,922</u>	<u>5,301,801</u>	<u>5,291,261</u>	<u>(10,540)</u>
Expenditures				
Current:				
Instruction:				
Regular	366,300	376,799	372,140	4,659
Vocational	3,118,505	3,157,157	3,060,907	96,250
Support Services:				
Pupils	733,628	736,249	706,769	29,480
Instructional Staff	5,000	5,000	1,432	3,568
Board of Education	40,950	40,950	31,050	9,900
Administration	579,445	568,070	523,215	44,855
Fiscal	258,898	262,832	249,498	13,334
Operation and Maintenance of Plant	602,622	602,146	532,680	69,466
Central	27,000	17,500	17,126	374
Operation of Non-Instructional Services	3,000	3,000	453	2,547
Extracurricular Activities	36,206	24,208	24,149	59
<i>Total Expenditures</i>	<u>5,771,554</u>	<u>5,793,911</u>	<u>5,519,419</u>	<u>274,492</u>
Excess of Revenues Under Expenditures	<u>(545,632)</u>	<u>(492,110)</u>	<u>(228,158)</u>	<u>263,952</u>
Other Financing Sources (Uses)				
Sale of Assets	500	0	0	0
Advances In	61,518	41,518	41,518	0
Transfers Out	(10,000)	(10,000)	(10,000)	0
Advances Out	(65,000)	(90,300)	(90,288)	12
Total Other Financing Sources (Uses)	<u>(12,982)</u>	<u>(58,782)</u>	<u>(58,770)</u>	<u>12</u>
<i>Net Change in Fund Balance</i>	<u>(558,614)</u>	<u>(550,892)</u>	<u>(286,928)</u>	<u>263,964</u>
<i>Fund Balance Beginning of Year</i>	1,698,079	1,698,079	1,698,079	0
Prior Year Encumbrances Appropriated	<u>78,366</u>	<u>78,366</u>	<u>78,366</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,217,831</u>	<u>\$1,225,553</u>	<u>\$1,489,517</u>	<u>\$263,964</u>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2004

	Governmental Activity
	Internal Service Fund
Current Assets	
<i>Total Current Assets</i>	\$0
Current Liabilities	
Accounts Payable	186,997
Interfund Payable	144,232
Claims Payable	143,586
<i>Total Current Liabilities</i>	474,815
Net Assets	
Unrestricted (Deficit)	(474,815)
<i>Total Net Assets (Deficit)</i>	(\$474,815)

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, 2004

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$504,264
Miscellaneous	6,412
	510,676
Operating Expenses	
Purchased Services	93,461
Other	10,244
Claims	747,817
	851,522
<i>Operating Loss</i>	(340,846)
<i>Net Assets (Deficit) Beginning of Year</i>	(133,969)
<i>Net Assets (Deficit) End of Year</i>	(\$474,815)

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, 2004

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$504,264
Cash Payments for Goods and Services	(93,461)
Cash Payments for Claims	(487,351)
Other Cash Payments	(10,244)
Other Cash Receipts	6,412
	(80,380)
<i>Net Cash Used in Operating Activities</i>	<i>(80,380)</i>
Cash Flows from Noncapital Financing Activities	
Interfund Loan	74,232
	74,232
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>74,232</i>
<i>Net Decrease in Cash and Cash Equivalents</i>	(6,148)
<i>Cash and Cash Equivalents Beginning of Year</i>	6,148
<i>Cash and Cash Equivalents End of Year</i>	\$0
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating Loss	(\$340,846)
Increase in Accounts Payable	186,997
Increase in Claims Payable	73,469
	(80,380)
<i>Net Cash Used in Operating Activities</i>	<i>(\$80,380)</i>

See accompanying notes to the basic financial statements

Belmont-Harrison Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$27,253	\$44,158
<i>Total Assets</i>	27,253	\$44,158
Liabilities		
Due to Students	0	\$44,158
<i>Total Liabilities</i>	0	\$44,158
Net Assets		
Held in Trust for Scholarships	27,253	
<i>Total Net Assets</i>	\$27,253	

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, 2004

	Private Purpose Trust Fund
Additions	
Interest	\$325
Contributions and Donations	11,161
 Total Additions	 11,486
Deductions	
Scholarships Awarded	24,732
 <i>Change in Net Assets</i>	 (13,246)
 <i>Net Assets Beginning of Year</i>	 40,499
 <i>Net Assets End of Year</i>	 \$27,253

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, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven members, one or two representatives from eight of the 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 25 classified employees and 65 certificated employees to provide services to Belmont, Harrison, Jefferson, Carroll, and Tuscarawas County juniors and seniors. For fiscal year 2004, the average daily membership was 529.

Reporting Entity:

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

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

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS) and the East Central Ohio Special Education Regional Resource Center (ECOSERRC), jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, insurance purchasing pools, and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool. 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 Financial Accounting Standards Board (FASB) statements and interpretations issued on or before

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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 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 are the School District's major governmental funds:

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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.

Permanent Improvement - The Permanent Improvement Fund is used to account for the proceeds of the Vocational School Building Assistance Loan to finance a roofing project in the School District.

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, vision, 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.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees, 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, 2004, but which were levied to finance fiscal year 2005 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, 2004

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" on the financial statements.

During fiscal year 2004, investments were limited to certificates of deposit, which are reported at cost, and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to \$21,851, which includes \$1,758 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 considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by 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 insurance deductibles 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, 2004, 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 and donated and purchased food held for consumption.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

received. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

J. Interfund Balances

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the School District's termination policy.

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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes are recognized as a liability on the governmental fund financial statements when due.

M. Interfund Activity

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Fund Balance Reserves

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

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources related to the deductible requirement for the underground storage tank, various state restricted grants and local receipts restricted for student activities.

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, 2004

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 set 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 – PRIOR PERIOD RESTATEMENTS AND CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles For the fiscal year ended June 30, 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB No. 38, "Certain Financial Statement Note Disclosures," GASB No.39, "Determining Whether Certain Organizations are Component Units," GASB No.41 "Budgetary Comparison Schedules – Perspective Differences," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

GASB Statement No. 41 allows presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective difference result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect on the budgetary statements of the School District for fiscal year 2004.

GASB Statement No. 39, "Determining Whether Certain Organizations are component Units" further defines the guidelines of GASB Statement No.14, "The Financial Reporting Entity." At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statement 39.

Restatement of Fund Balances The fund classification was updated during fiscal year 2004 to reclassify the food service fund, previously reported as an enterprise fund, as a special revenue fund. This reclassification, a restatement for deferred revenue and the implementation of Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor Funds	Total
Fund Balances, June 30, 2003	\$1,476,862	(\$29,270)	\$1,447,592
Fund Reclassifications:			
Food Service Fund	0	16,710	16,710
Deferred Revenue	(8,947)	0	(8,947)
Interpretation 6:			
Compensated Absences	14,427	0	14,427
Restated Fund Balances, June 30, 2003	<u>\$1,482,342</u>	<u>(\$12,560)</u>	\$1,469,782
GASB 34 Adjustments:			
Capital Assets			2,312,161
Internal Service Fund			(133,969)
Compensated Absences			(976,351)
Intergovernmental Payable			(9,824)
Deferred Revenue - Delinquent Taxes, Grants and Accrued Interest			194,193
Governmental Activities Net Assets, June 30, 2003			<u><u>\$2,855,992</u></u>

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The transition from proprietary fund equity to net assets of the business type activities is as follows:

	<u>Food Service</u>
Fund Equity, June 30, 2003	\$70,380
Fund Reclassification	<u>(70,380)</u>
Business Type Activities, June 30, 2003	<u><u>\$0</u></u>

NOTE 4 – FUND DEFICITS

At June 30, 2004, the following fund had deficit net assets:

	<u>Deficit Net Assets</u>
Self Insurance Internal Service Fund	<u><u>\$474,815</u></u>

The deficit in the self-insurance internal service fund is due to cash advances, a liability to the claims servicing pool for the deficit recoupment upon termination of participation in the pool, as well as a failure to adequately fund this program. The cash advances are payable to other funds. Effective July, 1 2004 the District no longer participated in the self-insurance plan. See the Subsequent Event Note 21 for further details.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$211,998)
Revenue Accruals	(14,548)
Advance In	41,518
Expenditure Accruals	37,100
Advance Out	(90,288)
Encumbrances	<u>(48,712)</u>
Budget Basis	<u><u>(\$286,928)</u></u>

NOTE 6 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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,

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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) 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers acceptance and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee 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 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,339,257 and the bank balance was \$1,577,447. Of the bank balance:

- A. \$290,000 was covered by federal depository insurance; and
- B. \$1,287,447 was collateralized by securities held by the pledging financial institutions' trust department in the school district's name and all State statutory requirements for the deposit of money had been followed.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAR Ohio	<u><u>\$786,350</u></u>

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 Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$2,125,607	\$0
Investments:		
STAR Ohio	(786,350)	786,350
GASB Statement 3	<u><u>\$1,339,257</u></u>	<u><u>\$786,350</u></u>

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont, Harrison, Jefferson, Tuscarawas, and Carroll Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are 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 includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$67,194 in the general fund. The amount available as an advance at June 30, 2003, was \$56,684 in the general fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<u>2003 Second Half Collections</u>		<u>2004 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$821,964,800	82.19%	\$824,231,210	82.26%
Public Utility Personal	80,396,870	8.04%	80,019,170	7.99%
Tangible Personal	97,708,690	9.77%	97,716,742	9.75%
	<u>\$1,000,070,360</u>	<u>100.00%</u>	<u>\$1,001,967,122</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of assessed valuation		 \$1.45		 \$1.45

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, interest, 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. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Vocational Education Planning District Grant	<u>\$34,942</u>

NOTE 9 – INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2004 consisted of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u> <u>General Fund</u>
<u>Interfund Payable</u>	
Other Nonmajor Governmental	\$35,292
Self-Insurance Internal Service Fund	144,232
Total	<u>\$179,524</u>

The loan to the Miscellaneous Federal Grants Special Revenue Fund was made to support the programs until the federal grant monies are received. The loan to the Self-Insurance Internal Service Fund was made to support the self-insurance program. Effective July 1, 2004, the School District no longer participated in the self-insurance program, however, the District must cover the program deficit. See Subsequent Event Note 21 for additional information.

B. Transfers

	<u>Transfers to</u> <u>Other Non-major</u> <u>Governmental</u>
<u>Transfers from</u> General Fund	<u>\$10,000</u>

The above Transfer From/To was used to support the lunchroom program.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	6/30/03	Additions	Deletions	6/30/04
Nondepreciable Capital Assets:				
Land	\$1,093,909	\$0	\$0	\$1,093,909
Depreciable Capital Assets:				
Land Improvements	94,904	0		94,904
Buildings and Improvements	4,047,122	0	0	4,047,122
Furniture and Equipment	1,204,514	164,874	35,596	1,333,792
Vehicles	149,820	0	0	149,820
Total Depreciable Capital Assets	5,496,360	164,874	35,596	5,625,638
Accumulated Depreciation:				
Land Improvements	(93,868)	(159)	0	(94,027)
Buildings and Improvements	(3,512,117)	(92,614)	0	(3,604,731)
Furniture and Equipment	(623,826)	(79,207)	(35,596)	(667,437)
Vehicles	(48,297)	(12,903)	0	(61,200)
Total Accumulated Depreciation	(4,278,108)	(184,883)	(35,596)	(4,427,395)
Total Depreciable Capital Assets, Net	1,218,252	(20,009)	0	1,198,243
Governmental Capital Assets, Net	\$2,312,161	(\$20,009)	\$0	\$2,292,152

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Vocational	\$152,789
Support Services:	
Pupils	1,823
Instructional Staff	6,684
Administration	6,512
Fiscal	926
Operation of Maintenance and Plant	12,165
Food Service Operations	3,984
Total Depreciation Expense	<u>\$184,883</u>

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 11 - RISK MANAGEMENT

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

A. Property and Fleet

During fiscal year 2004 the School District contracted with Utica National Insurance Group for property, commercial crime, commercial inland marine and fleet insurance. Coverage provided follows:

Property:

Building and Contents - replacement cost (\$5,000 Deductible)	\$19,827,103
Inland Marine - Miscellaneous Equipment (\$1,000 Deductible)	593,000

Commercial Auto Coverage:

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

Commercial Crime:

Aggregate Limit (no deductible)	10,000
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B. Liability

The District's liability insurance policy is with Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The school District pays this annual premium amount to the OSP (See Note 17). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Educational General Liability:

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

Employers Liability - Stop Gap - Occurrence Form:

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

Employee Benefits Liability - Claims Made Form:

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

Educational Legal Liability - Claims Made Form:

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

Excess Liability Coverage:

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

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

C. Worker's Compensation

For fiscal year 2004, 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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage 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 GRPs selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

D. Employee Medical Benefits

Medical/surgical insurance was offered to employees through a self-insurance internal service fund. The School District was a member of the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty 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 plan coverage is based on a usual, customary, and reasonable claim plan. There is a \$100 annual deductible per single or \$200 annual deductible per family for this portion of the coverage. The Board's share of the premiums for this coverage is \$500 for individual coverage per month and \$1,000 for family coverage per month which represents 93 and 90 percent of the total premiums. The premium is paid from the fund that pays the salary of the covered employee. Premiums for dental coverage are \$68.70 per month for both family and single coverage and the Board pays 100 percent of the premiums. Premiums for vision coverage are \$11.30 a month for single coverage and \$25.21 for family coverage and are 100 percent covered by the Board. Life insurance is provided is 100 percent Board covered at a premium of \$6.25. Effective July 1, 2004 this program was no longer offered, see Note 21, Subsequent Events for further details.

The claims liability of \$143,586 reported in the internal service fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustments 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
2003	\$56,529	\$467,158	\$453,570	\$70,117
2004	70,117	560,820	487,351	143,586

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (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 per Chapter 3309 of the Ohio Revised Code. SERS issues

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$40,629, \$42,433, \$19,672, respectively; 99.10 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary 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% 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$381,358, \$369,654, \$358,653, respectively; 83.71 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$123, made by the School District and \$117 made by the plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School 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.

All STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$24,906 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor 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 the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$30,406.

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, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

The School District contributes to the School Employees Retirement System (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 per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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.

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 a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 82 days for certified employees and 85 days for classified employees. For those employees with more than 82/85 days of accumulated sick leave days, the School District will pay twenty dollars per each day of sick leave above 82/85 days.

B. Insurance Benefits

During fiscal year 2004, employees had the option of choosing the Health Plan for their health insurance coverage if they did not choose the Self-Insurance Plan offered by the School District. The Board pays the total costs of the Health Plan. The cost of premiums for the coverage through the Health Plan are \$589.12 for family and \$235.64 for single. The Board pays 93 percent of the Self-Insurance Plan for single coverage and 90 percent for family coverage.

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Principal			Principal	
	Outstanding			Outstanding	Amounts
	6/30/03	Additions	Deductions	6/30/04	Due In
					One Year
2004 Vocational School Building					
Assistance Loan - \$500,000 @ 0%	\$0	\$500,000	\$0	\$500,000	\$33,333
Compensated Absences	976,351	260,767	164,169	1,072,949	29,584
Total General Long-Term Obligations	<u>\$976,351</u>	<u>\$760,767</u>	<u>\$164,169</u>	<u>\$1,572,949</u>	<u>\$62,917</u>

Belmont-Harrison Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Compensated absences will be paid from the general, food service, and Miscellaneous Federal Grants 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, 2004 are as follows:

Fiscal Year Ending June 30, 2004	Principal
2005	\$33,333
2006	33,333
2007	33,333
2008	33,333
2009	33,333
2010-2014	166,665
2015-2019	<u>166,670</u>
Total	<u><u>\$500,000</u></u>

The School District's overall legal debt margin was \$89,677,041, with an unvoted debt margin of \$1,001,967, at June 30, 2004.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2004, the total amount paid to OME-RESA from the School District was \$14,532. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

B. Coalition of Rural and Appalachian Schools (CORAS)

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2004.

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

The East Central Ohio Special Education Regional Resource Center (ECOSERRC) – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC.

NOTE 17 – INSURANCE PURCHASING POOL

A. Insurance Purchasing Pools

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

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

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

B. Claims Servicing Pool

The Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan – The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is an member of the assembly. The Plan’s business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA’s assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0	\$22,817
Allowable Carry Forward at June 30, 2003	(1,670,426)	0	0
Current Year Set-aside Requirement	81,694	81,694	0
Qualifying Disbursements	<u>(485,943)</u>	<u>(81,694)</u>	<u>0</u>
 Totals	 <u>(\$2,074,675)</u>	 <u>\$0</u>	 <u>\$22,817</u>
 Set-aside Balance Carried Forward to Future Fiscal Years	 <u>(\$2,074,675)</u>	 <u>\$0</u>	 <u>\$22,817</u>
 Set-aside Reserve Balance as of June 30, 2004	 <u>\$0</u>	 <u>\$0</u>	 <u>\$22,817</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years.

Belmont-Harrison Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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, 2004.

B. Litigation

The School District is currently party to legal proceedings. The School District management is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

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

NOTE 21 – SUBSEQUENT EVENT

Self Insurance - Effective July 1, 2004 the School District no longer participated in the OME-RESA Self Insurance Plan. At June 30, the School District has a liability to the claims servicing pool for deficit recoupment and continued to contract with the pool for payment of run-out claims and stop loss coverage through December 31, 2004. Effective July 1, 2004 employees had the option of choosing either Hometown or the Health Plan of the Upper Ohio Valley, Inc, which are PPO plans.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont-Harrison Joint Vocational School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2006, wherein we noted the District adopted Government Accounting Standards Board Statements 34,37,38, 39, 41, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Belmont-Harrison Joint Vocational 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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance

As part of obtaining reasonable assurance about whether Belmont-Harrison Joint Vocational School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standard*. We noted certain immaterial instances of noncompliance, which we have reported to management of Belmont-Harrison Joint Vocational School District in a separate letter dated February 7, 2006.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 7, 2006



**Auditor of State
Betty Montgomery**

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**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
MAY 4, 2006**