



**Auditor of State
Betty Montgomery**

**BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT
BELMONT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2003, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Belmont Harrison Vocational School District
Belmont County
Independent Accountants' Report
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003

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Belmont Harrison Vocational School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 2003

	Governmental Fund Types		Proprietary Fund Types	
	General	Special Revenue	Enterprise	Internal Service
<i><u>Liabilities Fund Equity and Other Credits:</u></i>				
<i><u>Liabilities:</u></i>				
Accounts Payable	\$2,040	\$124	\$0	\$0
Accrued Wages and Benefits Payable	496,518	14,004	2,749	0
Compensated Absences Payable	14,427	0	8,953	0
Interfund Payable	0	41,518	0	0
Intergovernmental Payable	68,336	2,692	3,285	0
Deferred Revenue	1,524,696	37,904	0	0
Due to Students	0	0	0	0
Advances from Other Funds	0	0	0	70,000
Claims Payable	0	0	0	70,117
Total Liabilities	2,106,017	96,242	14,987	140,117
<i><u>Fund Equity and Other Credits:</u></i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	149,719	0
Retained Earnings:				
Unreserved (Deficit)	0	0	(79,339)	(133,969)
Fund Balance:				
Reserved for Encumbrances	76,348	5,013	0	0
Reserved for Advances	70,000	0	0	0
Reserved for Property Taxes	56,684	0	0	0
Reserved for Budget Stabilization	22,817	0	0	0
Unreserved:				
Undesignated (Deficit)	1,251,013	(34,283)	0	0
Total Fund Equity and Other Credits	1,476,862	(29,270)	70,380	(133,969)
Total Liabilities, Fund Equity and Other Credits	\$3,582,879	\$66,972	\$85,367	\$6,148

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$2,164	
0	0	0	513,271	
0	0	967,398	990,778	
0	0	0	41,518	
0	0	7,163	81,476	
0	0	0	1,562,600	
40,472	0	0	40,472	
0	0	0	70,000	
0	0	0	70,117	
<u>40,472</u>	<u>0</u>	<u>974,561</u>	<u>3,372,396</u>	
0	6,643,684	0	6,643,684	
0	0	0	149,719	
0	0	0	(213,308)	
0	0	0	81,361	
0	0	0	70,000	
0	0	0	56,684	
0	0	0	22,817	
<u>40,499</u>	<u>0</u>	<u>0</u>	<u>1,257,229</u>	
<u>40,499</u>	<u>6,643,684</u>	<u>0</u>	<u>8,068,186</u>	
<u>\$80,971</u>	<u>\$6,643,684</u>	<u>\$974,561</u>	<u>\$11,440,582</u>	

Belmont Harrison Vocational School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 2003

	Governmental Fund Types		Proprietary Fund Types	
	General	Special Revenue	Enterprise	Internal Service
<i><u>Liabilities Fund Equity and Other Credits:</u></i>				
<i><u>Liabilities:</u></i>				
Accounts Payable	\$2,040	\$124	\$0	\$0
Accrued Wages and Benefits Payable	496,518	14,004	2,749	0
Compensated Absences Payable	14,427	0	8,953	0
Interfund Payable	0	41,518	0	0
Intergovernmental Payable	68,336	2,692	3,285	0
Deferred Revenue	1,524,696	37,904	0	0
Due to Students	0	0	0	0
Advances from Other Funds	0	0	0	70,000
Claims Payable	0	0	0	70,117
Total Liabilities	2,106,017	96,242	14,987	140,117
<i><u>Fund Equity and Other Credits:</u></i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	149,719	0
Retained Earnings:				
Unreserved (Deficit)	0	0	(79,339)	(133,969)
Fund Balance:				
Reserved for Encumbrances	76,348	5,013	0	0
Reserved for Advances	70,000	0	0	0
Reserved for Property Taxes	56,684	0	0	0
Reserved for Budget Stabilization	22,817	0	0	0
Unreserved:				
Undesignated (Deficit)	1,251,013	(34,283)	0	0
Total Fund Equity and Other Credits	1,476,862	(29,270)	70,380	(133,969)
Total Liabilities, Fund Equity and Other Credits	\$3,582,879	\$66,972	\$85,367	\$6,148

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$2,164	
0	0	0	513,271	
0	0	967,398	990,778	
0	0	0	41,518	
0	0	7,163	81,476	
0	0	0	1,562,600	
40,472	0	0	40,472	
0	0	0	70,000	
0	0	0	70,117	
<u>40,472</u>	<u>0</u>	<u>974,561</u>	<u>3,372,396</u>	
0	6,643,684	0	6,643,684	
0	0	0	149,719	
0	0	0	(213,308)	
0	0	0	81,361	
0	0	0	70,000	
0	0	0	56,684	
0	0	0	22,817	
<u>40,499</u>	<u>0</u>	<u>0</u>	<u>1,257,229</u>	
<u>40,499</u>	<u>6,643,684</u>	<u>0</u>	<u>8,068,186</u>	
<u>\$80,971</u>	<u>\$6,643,684</u>	<u>\$974,561</u>	<u>\$11,440,582</u>	

Belmont Harrison Vocational School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes In Fund Balances
 All Governmental Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<u>Revenues:</u>					
Property and Other Local Taxes	\$911,419	\$0	\$0	\$0	\$911,419
Intergovernmental	3,935,219	277,256	0	0	4,212,475
Interest	32,505	0	0	650	33,155
Tuition and Fees	3,304	0	0	0	3,304
Extracurricular Activities	309	14,246	0	0	14,555
Gifts and Donations	5,610	0	0	20,533	26,143
Customer Services	12,308	0	0	0	12,308
Miscellaneous	10,836	0	0	0	10,836
Total Revenues	4,911,510	291,502	0	21,183	5,224,195
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	433,840	29,092	0	0	462,932
Special	0	25,394	0	0	25,394
Vocational	2,968,168	19,802	0	24,858	3,012,828
Support Services:					
Pupils	654,920	156,593	0	0	811,513
Instructional Staff	8,200	57,763	0	0	65,963
Board of Education	26,070	0	0	0	26,070
Administration	501,726	7,829	0	0	509,555
Fiscal	228,547	0	0	0	228,547
Operation and Maintenance of Plant	578,027	1,027	55,010	0	634,064
Central	14,526	13,671	0	0	28,197
Operation of Non-Instructional Services	748	8,174	0	0	8,922
Extracurricular Activities	29,731	5,421	0	0	35,152
Total Expenditures	5,444,503	324,766	55,010	24,858	5,849,137
Excess of Revenues Under Expenditures	(532,993)	(33,264)	(55,010)	(3,675)	(624,942)
<u>Other Financing Sources (Uses) :</u>					
Sale of Fixed Assets	810	0	0	0	810
Operating Transfers Out	(10,000)	0	0	0	(10,000)
Total Other Financing Sources (Uses)	(9,190)	0	0	0	(9,190)
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(542,183)	(33,264)	(55,010)	(3,675)	(634,132)
Fund Balances at Beginning of Year - Restated (Note 3)	2,019,045	3,994	55,010	44,174	2,122,223
Fund Balances (Deficits) at End of Year	<u>\$1,476,862</u>	<u>(\$29,270)</u>	<u>\$0</u>	<u>\$40,499</u>	<u>\$1,488,091</u>

See accompanying notes to the general purpose financial statements.

Belmont Harrison Vocational School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 2003

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Local Taxes	\$1,288,000	\$1,284,445	(\$3,555)
Intergovernmental	3,929,302	3,935,219	5,917
Interest	35,301	35,940	639
Tuition and Fees	3,082	3,304	222
Extracurricular Activities	309	309	0
Gifts and Donations	1,297	5,610	4,313
Customer Services	11,201	12,308	1,107
Miscellaneous	12,549	12,311	(238)
Total Revenues	5,281,041	5,289,446	8,405
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	430,003	423,071	6,932
Special	0	0	0
Vocational	3,090,729	2,987,164	103,565
Support Services:			
Pupils	681,616	650,866	30,750
Instructional Staff	10,000	8,200	1,800
Board of Education	30,853	28,135	2,718
Administration	509,918	476,429	33,489
Fiscal	245,407	234,674	10,733
Operation and Maintenance of Plant	735,923	631,520	104,403
Central	15,248	14,708	540
Operation of Non-Instructional Services	3,000	748	2,252
Extracurricular Activities	42,177	30,075	12,102
Total Expenditures	5,794,874	5,485,590	309,284
Excess of Revenues Under Expenditures	(513,833)	(196,144)	317,689
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	810	810	0
Operating Transfers Out	(10,000)	(10,000)	0
Advances In	42,963	42,963	0
Advances Out	(80,000)	(41,518)	38,482
Total Other Financing Sources (Uses)	(46,227)	(7,745)	38,482
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(560,060)	(203,889)	356,171
Fund Balances at Beginning of Year	1,657,339	1,657,339	0
Prior Year Encumbrances Appropriated	244,608	244,608	0
Fund Balances at End of Year	\$1,341,887	\$1,698,058	\$356,171

(continued)

Belmont Harrison Vocational School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Similar Trust Fund (Continued)
 For the Fiscal Year Ended June 30, 2003

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i><u>Revenues:</u></i>			
Property and Other Local Taxes	\$0	\$0	\$0
Intergovernmental	286,577	281,341	(5,236)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	20,150	14,425	(5,725)
Gifts and Donations	0	0	0
Customer Services	0	0	0
Miscellaneous	0	0	0
Total Revenues	306,727	295,766	(10,961)
<i><u>Expenditures:</u></i>			
Current:			
Instruction:			
Regular	30,572	29,337	1,235
Special	28,549	28,168	381
Vocational	24,128	22,721	1,407
Support Services:			
Pupils	168,257	157,907	10,350
Instructional Staff	70,658	59,147	11,511
Board of Education	0	0	0
Administration	8,260	8,227	33
Fiscal	0	0	0
Operation and Maintenance of Plant	1,027	1,027	0
Central	13,671	13,671	0
Operation of Non-Instructional Services	10,000	8,174	1,826
Extracurricular Activities	10,226	7,644	2,582
Total Expenditures	365,348	336,023	29,325
Excess of Revenues Under Expenditures	(58,621)	(40,257)	18,364
<i><u>Other Financing Sources (Uses):</u></i>			
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfers Out	0	0	0
Advances In	41,800	41,518	(282)
Advances Out	(43,245)	(42,963)	282
Total Other Financing Sources (Uses)	(1,445)	(1,445)	0
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(60,066)	(41,702)	18,364
Fund Balances at Beginning of Year	25,405	25,405	0
Prior Year Encumbrances Appropriated	38,904	38,904	0
Fund Balances at End of Year	\$4,243	\$22,607	\$18,364

Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	650	650	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	20,533	20,533	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	21,183	21,183	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	45,000	31,834	13,166
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
55,010	55,010	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
55,010	55,010	0	45,000	31,834	13,166
(55,010)	(55,010)	0	(23,817)	(10,651)	13,166
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(55,010)	(55,010)	0	(23,817)	(10,651)	13,166
0	0	0	51,150	51,150	0
55,010	55,010	0	0	0	0
\$0	\$0	\$0	\$27,333	\$40,499	\$13,166

(continued)

Belmont Harrison Vocational School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Similar Trust Fund (Continued)
 For the Fiscal Year Ended June 30, 2003

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i><u>Revenues:</u></i>			
Property and Other Local Taxes	\$1,288,000	\$1,284,445	(\$3,555)
Intergovernmental	4,215,879	4,216,560	681
Interest	35,951	36,590	639
Tuition and Fees	3,082	3,304	222
Extracurricular Activities	20,459	14,734	(5,725)
Gifts and Donations	21,830	26,143	4,313
Customer Services	11,201	12,308	1,107
Miscellaneous	12,549	12,311	(238)
Total Revenues	5,608,951	5,606,395	(2,556)
<i><u>Expenditures:</u></i>			
Current:			
Instruction:			
Regular	460,575	452,408	8,167
Special	28,549	28,168	381
Vocational	3,159,857	3,041,719	118,138
Support Services:			
Pupils	849,873	808,773	41,100
Instructional Staff	80,658	67,347	13,311
Board of Education	30,853	28,135	2,718
Administration	518,178	484,656	33,522
Fiscal	245,407	234,674	10,733
Operation and Maintenance of Plant	791,960	687,557	104,403
Central	28,919	28,379	540
Operation of Non-Instructional Services	13,000	8,922	4,078
Extracurricular Activities	52,403	37,719	14,684
Total Expenditures	6,260,232	5,908,457	351,775
Excess of Revenues Under Expenditures	(651,281)	(302,062)	349,219
<i><u>Other Financing Sources (Uses):</u></i>			
Proceeds from Sale of Fixed Assets	810	810	0
Operating Transfers Out	(10,000)	(10,000)	0
Advances In	84,763	84,481	(282)
Advances Out	(123,245)	(84,481)	38,764
Total Other Financing Sources (Uses)	(47,672)	(9,190)	38,482
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(698,953)	(311,252)	387,701
Fund Balances at Beginning of Year	1,733,894	1,733,894	0
Prior Year Encumbrances Appropriated	338,522	338,522	0
Fund Balances at End of Year	\$1,373,463	\$1,761,164	\$387,701

See accompanying notes to the general purpose financial statements.

Belmont Harrison Vocational School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2003

	Enterprise	Internal Service	Totals (Memorandum Only)
<i><u>Operating Revenues:</u></i>			
Sales	\$67,690	\$0	\$67,690
Charges for Services	0	434,301	434,301
Other Operating Revenue	75	2,248	2,323
Total Revenues	<u>67,765</u>	<u>436,549</u>	<u>504,314</u>
<i><u>Operating Expenses:</u></i>			
Salaries and Wages	59,692	0	59,692
Fringe Benefits	10,703	0	10,703
Purchased Services	6,164	24,832	30,996
Materials and Supplies	5,835	479	6,314
Other	740	187	927
Cost of Sales	65,692	0	65,692
Depreciation	2,204	0	2,204
Claims	0	467,158	467,158
Total Operating Expenses	<u>151,030</u>	<u>492,656</u>	<u>643,686</u>
Operating Loss	<u>(83,265)</u>	<u>(56,107)</u>	<u>(139,372)</u>
<i><u>Non-Operating Revenues/Expenses :</u></i>			
Federal Donated Commodities	11,377	0	11,377
Operating Grants	57,382	0	57,382
Loss on Sale of Fixed Asset	(8,619)	0	(8,619)
Total Non-Operating Revenues/Expenses	<u>60,140</u>	<u>0</u>	<u>60,140</u>
Loss Before Operating Transfers In	(23,125)	(56,107)	(79,232)
Operating Transfers In	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Net Loss	(13,125)	(56,107)	(69,232)
Retained Earnings (Deficit) at Beginning of Year - Restated (Note 3)	<u>(66,214)</u>	<u>(77,862)</u>	<u>(144,076)</u>
Retained Earnings (Deficit) at End of Year	(79,339)	(133,969)	(213,308)
Contributed Capital at Beginning and End of Year	<u>149,719</u>	<u>0</u>	<u>149,719</u>
Contributions During the Year:			
Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Equity (Deficit) at End of Year	<u>\$70,380</u>	<u>(\$133,969)</u>	<u>(\$63,589)</u>

See accompanying notes to the general purpose financial statements

Belmont Harrison Vocational School District, Ohio
 Combined Statement of Revenues, Expenses and Changes in
 Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2003

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Operating Revenues:</u>			
Sales	\$65,494	\$67,690	\$2,196
Charges for Services	0	0	0
Interest	0	0	0
Other Operating Revenues	75	75	0
Operating Grants	52,631	57,382	4,751
Total Operating Revenues	118,200	125,147	6,947
<u>Operating Expenses:</u>			
Salaries	58,608	56,108	2,500
Fringe Benefits	12,842	11,816	1,026
Purchased Services	6,214	6,204	10
Materials and Supplies	62,991	61,169	1,822
Other	745	745	0
Total Operating Expenses	141,400	136,042	5,358
Excess of Revenues Over (Under) Expenses	(23,200)	(10,895)	12,305
Advances In	0	0	0
Operating Transfers In	10,000	10,000	0
Excess of Revenues, Advances and Transfers Over (Under) Expenses	(13,200)	(895)	12,305
Fund Equity at Beginning of Year	17,267	17,267	0
Prior Year Encumbrances Appropriated	277	277	0
Fund Equity at End of Year	\$4,344	\$16,649	\$12,305

See accompanying notes to the general purpose financial statements

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$65,494	\$67,690	\$2,196
510,000	434,301	(75,699)	510,000	434,301	(75,699)
200	0	(200)	200	0	(200)
2,000	2,248	248	2,075	2,323	248
0	0	0	52,631	57,382	4,751
512,200	436,549	(75,651)	630,400	561,696	(68,704)
0	0	0	58,608	56,108	2,500
453,570	453,570	0	466,412	465,386	1,026
32,114	24,832	7,282	38,328	31,036	7,292
479	479	0	63,470	61,648	1,822
187	187	0	932	932	0
486,350	479,068	7,282	627,750	615,110	12,640
25,850	(42,519)	(68,369)	2,650	(53,414)	(56,064)
65,000	0	(65,000)	65,000	0	(65,000)
0	0	0	10,000	10,000	0
90,850	(42,519)	(133,369)	77,650	(43,414)	(121,064)
48,667	48,667	0	65,934	65,934	0
0	0	0	277	277	0
<u>\$139,517</u>	<u>\$6,148</u>	<u>(\$133,369)</u>	<u>\$143,861</u>	<u>\$22,797</u>	<u>(\$121,064)</u>

Belmont Harrison Vocational School District, Ohio
 Combined Statement of Cash Flow:
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 200:

	Enterprise	Internal Service	Totals (Memorandum Only)
<i><u>Increase (Decrease) in Cash and Cash Equivalents</u></i>			
<i><u>Cash Flows from Operating Activities</u></i>			
Cash Received from Sales:	\$67,690	\$0	\$67,690
Cash Received from Quasi-External Transactions with Other Funds:	0	434,301	434,301
Cash Received from Other Revenue:	75	2,248	2,323
Cash Payments to Suppliers for Goods and Service	(67,333)	(25,311)	(92,644)
Cash Payments for Employee Services:	(56,108)	0	(56,108)
Cash Payments for Employee Benefits:	(11,816)	0	(11,816)
Cash Payments for Other Expenses:	(745)	(187)	(932)
Cash Payments for Claims:	0	(453,570)	(453,570)
Net Cash Used for Operating Activities:	<u>(68,237)</u>	<u>(42,519)</u>	<u>(110,756)</u>
<i><u>Cash Flows from Noncapital Financing Activities</u></i>			
Operating Grants Received:	57,382	0	57,382
Operating Transfers In:	10,000	0	10,000
Net Cash Provided by Noncapital Financing Activities:	<u>67,382</u>	<u>0</u>	<u>67,382</u>
Net Decrease in Cash and Cash Equivalent:	(855)	(42,519)	(43,374)
Cash and Cash Equivalents at Beginning of Year:	<u>17,544</u>	<u>48,667</u>	<u>66,211</u>
Cash and Cash Equivalents at End of Year:	<u><u>\$16,689</u></u>	<u><u>\$6,148</u></u>	<u><u>\$22,837</u></u>
<i><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</u></i>			
Operating Loss:	<u>(\$83,265)</u>	<u>(\$56,107)</u>	<u>(\$139,372)</u>
<i><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</u></i>			
Depreciation Expense:	2,204	0	2,204
Donated Commodities Received During Year:	11,377	0	11,377
Changes in Assets and Liabilities:			
Increase in Prepaids:	(14)	0	(14)
Increase in Inventory Held for Resale:	(962)	0	(962)
Decrease in Materials and Supply Inventory:	107	0	107
Decrease in Accounts Payable:	(164)	0	(164)
Increase in Accrued Wages Payable:	299	0	299
Increase in Compensated Absences Payable:	595	0	595
Increase in Intergovernmental Payable:	1,586	0	1,586
Increase in Claims Payable:	0	13,588	13,588
Total Adjustments:	<u>15,028</u>	<u>13,588</u>	<u>28,616</u>
Net Cash Used for Operating Activities:	<u><u>(\$68,237)</u></u>	<u><u>(\$42,519)</u></u>	<u><u>(\$110,756)</u></u>

Noncash Operating Activities:

Federal Donated Commodities in the amount of \$11,377 were received during the year.

See accompanying notes to the general purpose financial statements.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 26 classified employees and 65 certificated employees to provide services to Belmont, Harrison, Jefferson, Carroll, and Tuscarawas County freshmen, sophomores, juniors and seniors. For fiscal year 2003, the average daily membership was 550.

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.

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 program'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 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. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the East Central Ohio Special Education Regional Resource Center (ECO-SERRC), the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Ohio School Plan. These organizations are presented in Notes 16 and 17.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Belmont Harrison Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

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

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

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Internal Service Funds - Internal service funds account 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.

Fiduciary Fund Types:

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include an expendable trust fund and an agency fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

Revenue Recognition:

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 sixty 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 an 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 non-exchange 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 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, 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, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level for the general fund and at the fund level for all other funds. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the general fund, must be approved by the Board of Education. The treasurer allocates the Board's appropriation to the function and object level.

Advances-in and Advances-out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds.

Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Belmont County Budget Commission for rate determination.

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations: (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The School District has a segregated bank account for monies held separate from the School District's central bank account. This account is maintained by the District's self-insurance third party administrator and is presented in the combined balance sheet as "cash with fiscal agents" since it is not required to be deposited into the School District treasury.

During fiscal year 2003, investments were limited to certificates of deposit, which are reported at cost, and in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statues, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$32,505, which includes \$2,416 assigned from other School District funds.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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. During the fiscal year the School District had no investments that met this criterion.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

F. 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.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventory is reported using the consumption method. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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.

I. Fixed Assets and Depreciation

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

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District.

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

L. Accrued Liabilities and Long-Term Obligations

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

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

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

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, advances, and budget stabilization.

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 advances indicates that a portion of fund balance is not available for expenditure. The reserve for budget stabilization is money set aside to protect against the cyclical changes in revenues and expenditures.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to 2002 that is not subject to repayment. Since 2001, these assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during this fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Total Columns on General Purpose Financial Statements

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

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 - RESTATEMENT OF PRIOR YEAR FUND EQUITY

Restatement of Fund Balances/Retained Earnings - The fund classification was updated during fiscal year 2003 to reclassify the uniform school supplies fund, previously reported as an enterprise fund, with the general fund. The adjustment to governmental funds is as follows.

	General
Fund Balance at June 30, 2002	\$2,010,905
Uniform School Supplies Fund Reclassification	8,140
Adjusted Fund Balance at July 1, 2002	\$2,019,045

The adjustment to the enterprise funds is as follows.

	Enterprise Funds
Retained Earnings at June 30, 2002	(\$58,074)
Uniform School Supplies Fund Reclassification	(8,140)
Adjusted Retained Earnings at July 1, 2002	(\$66,214)

The effect of such changes noted above on the Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses previously reported and the net income for the fiscal year ending June 30, 2002 is as follows:

	General Fund	Enterprise Funds
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Income at June 30, 2002	\$209,982	\$7,672
Net Revenue Restatement	1,762	(1,762)
Restated Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Income at June 30, 2002	\$211,744	\$5,910

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. FUND DEFICITS:

At June 30, 2003, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Miscellaneous State Grants	\$3,458
Miscellaneous Federal Grants	\$29,735
Internal Service Fund:	
Self Insurance	\$133,969

The above deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) All Proprietary Fund Types are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Excess of Revenues and Other Financing Sources
Under Expenditures and Other Financing Uses
All Governmental Fund Types and Similar Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	(\$542,183)	(\$33,264)	(\$55,010)	(\$3,675)
Revenue Accruals	377,936	4,264	0	0
Expenditure Accruals	58,545	(5,946)	0	(6,976)
Prepaid Items	(19,063)	(174)	0	0
Material/Supply Inventory	(2,180)	0	0	0
Advances	1,445	(1,445)	0	0
Encumbrances	(78,389)	(5,137)	0	0
Budget Basis	<u>(\$203,889)</u>	<u>(\$41,702)</u>	<u>(\$55,010)</u>	<u>(\$10,651)</u>

Net Loss/Excess of Revenues, Advances and Transfers
Over (Under) Expenses -All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$13,125)	(\$56,107)
Expense Accrual	2,316	13,588
Materials and Supplies Inventory	107	0
Inventory Held for Resale	(962)	0
Prepaid Items	(14)	0
Loss on Sale of Fixed Assets	8,619	0
Depreciation Expense	2,204	0
Encumbrances	(40)	0
Budget Basis	<u>(\$895)</u>	<u>(\$42,519)</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.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

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, 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 (STAROhio);
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,
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

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.

At June 30, 2003, the School District's internal service fund had a balance of \$6,148 with OME-RESA, a jointly governed organization (See Note 16). The money is held by the claims service in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

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 \$997,564 and the bank balance was 1,278,221. Of the bank balance, \$290,000 was covered by federal depository insurance, and \$988,221 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 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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAROhio	\$904,287
Total	\$904,287

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:

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,901,851	\$0
Investments:		
STAROhio	(904,287)	904,287
GASB Statement 3	\$997,564	\$904,287

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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four 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, 2003, are available to finance fiscal year 2003 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, 2003 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

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES (Continued)

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, 2003 was \$56,684 in the general fund. The amount available as an advance at June 30, 2002, was \$429,710 in the general fund.

On a modified accrual basis, collectible delinquent property taxes have been recorded as a receivable and deferred revenue.

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

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$799,588,890	80.59%	\$821,964,800	82.19%
Public Utility Personal	92,343,870	9.31%	80,396,870	8.04%
Tangible Personal	100,237,170	10.10%	97,708,690	9.77%
	\$992,169,930	100.00%	\$1,000,070,360	100.00%
Tax Rate per \$1,000 of assessed valuation		\$1.45		\$1.45

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, 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. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Education Management Information System	\$4,199
 Special Revenue Funds:	
Career Development	3,589
Ohio Career Information System Awareness	300
Vocational Education Planning District	34,015
Total Special Revenue Funds	37,904
Total Intergovernmental Receivables	\$42,103

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - FIXED ASSETS

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

	<u>Amount</u>
Furniture and Equipment	\$145,023
Less Accumulated Depreciation	(79,739)
Net Fixed Assets	<u>\$65,284</u>

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

Asset Category	Balance at 6/30/02	Additions	Deletions	Balance at 6/30/03
Land and Improvements	\$109,628	\$0	\$0	\$109,628
Buildings and Improvements	3,787,489	0	0	3,787,489
Furniture, Fixtures and Equipment	2,620,151	194,438	223,342	2,591,247
Vehicles	165,653	22,256	32,589	155,320
Totals	<u>\$6,682,921</u>	<u>\$216,694</u>	<u>\$255,931</u>	<u>\$6,643,684</u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. From July 1, 2002 until January 15, 2003, the School District contracted with Nationwide Insurance Company for fleet insurance and with Utica National for property, commercial crime, commercial inland marine, and boiler and machinery. On January 15, 2003, the School District changed from Nationwide Insurance to Utica National for fleet insurance. The comprehensive business policy is a replacement cost policy with a \$1,000 deductible. The commercial crime coverage section has a \$10,000 limit with no deductible, and safe burglary is excluded. The transportation coverage includes uninsured motorist coverage, auto liability, and medical payments.

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 17)

The types and amounts of coverage provided by the Ohio School Plan are as follows: The policy has a \$1,000,000 liability limit per occurrence and \$3,000,000 aggregate limit with an excess liability policy having \$2,000,000 liability limit per occurrence and \$2,000,000 annual aggregate limit. The Insurance Company of the State of Pennsylvania provides a blanket professional liability policy for the health occupation students at the School District. The policy is \$1,000,000 for each claim. Public employee dishonesty coverage in the amount of \$5,000 is provided by Westfield Insurance Company.

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.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT (Continued)

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for GRP rather than its individual rate. 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 GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical insurance is offered to employees through a self-insurance internal service fund through Ohio Mid-Eastern Regional Education Service Agency. A third party administrator reviews and processes the claims which the School District then pays. The self-insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium, per individual, to the various funds of the School District. These premiums go into the self-insurance internal service fund. Claims and contract services are paid from the self-insurance internal service fund. The claims liability of \$70,117 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the increased claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two years are as follows:

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2002	\$70,166	\$462,341	\$475,978	\$56,529
2003	\$56,529	\$467,158	\$453,570	\$70,117

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension system. 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employee Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District's 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligation. 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$42,433, \$19,672 and \$19,068, respectively; 99.51 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$208 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

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 the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$373,349, \$359,580, and \$341,341 respectively; 84.26 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$95 made by the School District and \$1,417 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System.

As of June 30, 2003, seven members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - 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-certified 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of 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, 2003, 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 \$28,727 for fiscal year 2003.

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

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 of 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$40,104.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components 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 235 days for all personnel. Upon retirement, payment is made for 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 day of sick leave above 82/85 days.

B. Insurance Benefits

Employees have the option of choosing the Health Plan for their health insurance coverage if they do not choose the Self-Insurance Plan offered by the School District. The Board pays the total costs of the Health Plan. The Board pays 95 percent up to a maximum of \$500 per month of the Self-Insurance Plan for single coverage and 96 percent up to a maximum of \$1,000 per month for family coverage.

The School District pays the total cost for life, dental, and vision insurance for its employees. Life insurance and accidental death and dismemberment insurance is provided through the Ohio Mid-Eastern Regional Education Service Agency Group Life Insurance Plan. Dental insurance is provided by the School District to most employees through Ohio Mid-Eastern Regional Education Service Agency Self-Funded Plans, Inc. Vision insurance is provided by Vision Service Plan.

NOTE 14 - LONG - TERM OBLIGATIONS

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

	Balance at 6/30/02	Additions	Deductions	Balance at 6/30/03
Compensated Absences	\$787,368	\$228,151	\$48,121	\$967,398
Pension Obligation	2,861	7,163	2,861	7,163
Total General Long-Term Obligations	<u>\$790,229</u>	<u>\$235,314</u>	<u>\$50,982</u>	<u>\$974,561</u>

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 14 - LONG - TERM OBLIGATIONS (Continued)

Compensated absences and long-term pension obligations, which represent contractually required pension contributions, will be paid from the fund which the employees' salaries are paid.

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2003 receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$41,518	\$0
Special Revenue Funds:		
Miscellaneous State Grant	0	4,168
Miscellaneous Federal Grant	0	37,350
Total Special Revenue Funds	0	41,518
Total All Funds	\$41,518	\$41,518
	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$70,000	\$0
Internal Service Fund:		
Self Insurance	0	70,000
Total Internal Service Fund	0	70,000
Total All Funds	\$70,000	\$70,000

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting and taxing authority. In fiscal year 2003, the School District contributed \$13,962 to the Agency. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. East Central Ohio Special Education Regional Resource Center (ECO-SERRC)

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

The ECO-SERRC is governed by a board composed of superintendents of member school districts in East Central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO-SERRC. ECO SERRC is not financially dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO-SERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

NOTE 17 – INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Worker's Compensation Group Rating Plan

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.

B. Ohio School Plan

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.

NOTE 18 – 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.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 18 – STATE SCHOOL FUNDING DECISION (Continued)

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 on its future State funding and on its financial operations.

NOTE 19 - 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 set-aside. During FY 2001, the Board enacted a resolution to transfer all monies but the workers compensation refunds to the general fund.

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, 2002	(\$1,212,725)	\$0	\$22,817
Current Year Set-aside Requirement	81,694	81,694	0
Qualifying Disbursements	<u>(530,950)</u>	<u>(136,041)</u>	<u>0</u>
Totals	<u>(\$1,661,981)</u>	<u>(\$54,347)</u>	<u>\$22,817</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,661,981)</u>	<u>\$0</u>	<u>\$22,817</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$22,817</u>

The School District had 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. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$22,817.

Belmont Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 20 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is not party to any legal proceedings.

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BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT
BELMONT COUNTY

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed-Through State Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	NA	\$0	\$11,377	\$0	\$10,630
School Breakfast Program	10.553	050856-05-PU-02	1,258		1,258	
	10.553	050856-05-PU-03	8,745		8,745	
Total School Breakfast Program			10,003	0	10,003	0
National School Lunch Program	10.555	050856-LL-P4-02	5,392		5,392	
	10.555	050856-LL-P4-03	38,645		38,645	
Total National School Lunch Program			44,037	0	44,037	0
Total United States Department of Agriculture - Nutrition Cluster			54,040	11,377	54,040	10,630
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
<i>Passed-Through State Department of Education:</i>						
Vocational Education - Basic Grants to States	84.048	050856-20-A0-2002	2,368		17,419	
	84.048	050856-20-C1-2002	17,536		19,530	
	84.048	050856-20-C1-2003	211,648		227,983	
Total Vocational Education - Basic Grants to States			231,552	0	264,932	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	050856-DR-S1-2003	1,772		1,772	
Innovative Education Program Strategies	84.298	050856-C2-S1-2003	1,311		1,311	
Vocational Education - Occupational and Employment Information State Grants	84.346	050856-OE-00-2003	1,700			
Improving Teacher Quality State Grants	84.367	050856-TR-S1-2003	2,944		2,944	
Total United States Department of Education			239,279	0	270,959	0
Total Federal Awards Receipts and Expenditures			\$293,319	\$11,377	\$324,999	\$10,630

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule

**BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. The nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the Belmont Harrison Vocational School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 8, 2003.

Internal Control Over Financial Reporting

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

Belmont Harrison Vocational School District
Belmont County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

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

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

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

Internal Control over Compliance

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

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003

**BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

**BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2003
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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BELMONT HARRISON VOCATIONAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2004**