



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BELMONT-HARRISON VOCATIONAL SCHOOL DISTRICT
NOBLE SCHOOL DISTRICT**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Similar Trust Fund.....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Fund	9
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – All Proprietary Fund Types.....	13
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual (Budget Basis) – All Proprietary Fund Types	14
Combined Statement of Cash Flows - All Proprietary Fund Types.....	16
Notes to the General Purpose Financial Statements	17
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2002, 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 Belmont-Harrison Vocational School District, Belmont County, as of June 30, 2002, 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 November 18, 2002, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

November 18, 2002

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Belmont-Harrison Joint Vocational School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<i>Assets and Other Debits:</i>			
<i>Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$1,870,990	\$64,305	\$55,011
Cash with Fiscal Agents	0	0	0
Receivables:			
Property and Other Local Taxes	1,432,145	0	0
Accounts	1,769	179	0
Intergovernmental	0	41,952	0
Accrued Interest	12,382	0	0
Interfund	112,963	0	0
Prepaid Items	71,089	1,150	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	12,255	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	22,817	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<i>Other Debits:</i>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debits	 \$3,536,410	 \$107,586	 \$55,011

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$25,684	\$0	\$83,786	\$0	\$0	\$2,099,776
0	48,667	0	0	0	48,667
0	0	0	0	0	1,432,145
147	0	0	0	0	2,095
0	0	0	0	0	41,952
0	0	0	0	0	12,382
0	0	0	0	0	112,963
461	0	0	0	0	72,700
1,700	0	0	0	0	1,700
364	0	0	0	0	12,619
0	0	0	0	0	22,817
76,107	0	0	6,682,921	0	6,759,028
0	0	0	0	787,368	787,368
<u>\$104,463</u>	<u>\$48,667</u>	<u>\$83,786</u>	<u>\$6,682,921</u>	<u>\$787,368</u>	<u>\$11,406,212</u>

(continued)

Belmont-Harrison Joint Vocational School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<i><u>Liabilities Fund Equity and Other Credits:</u></i>			
<i><u>Liabilities:</u></i>			
Accounts Payable	\$50,047	\$3,544	\$0
Accrued Wages and Benefits Payable	447,067	16,801	0
Compensated Absences Payable	12,021	0	0
Interfund Payable	0	42,963	0
Intergovernmental Payable	13,641	2,421	0
Deferred Revenue	1,002,729	37,867	0
Due to Students	0	0	0
Claims Payable	0	0	0
Pension Obligation Payable	0	0	0
	1,525,505	103,596	0
 <i><u>Fund Equity and Other Credits:</u></i>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Reserved			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	194,574	35,366	55,011
Reserved for Inventory	12,255	0	0
Reserved for Property Taxes	429,710	0	0
Reserved for Budget Stabilization	22,817	0	0
Unreserved:			
Undesignated (Deficit)	1,351,549	(31,376)	0
	2,010,905	3,990	55,011
Total Liabilities, Fund Equity and Other Credits	\$3,536,410	\$107,586	\$55,011

See accompanying notes to the general purpose financial statements.

See accountant's compilation report

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$164	\$0	\$0	\$0	\$0	\$53,755
2,450	0	0	0	0	466,318
8,358	0	0	0	787,368	807,747
0	70,000	0	0	0	112,963
1,699	0	6,976	0	0	24,737
147	0	0	0	0	1,040,743
0	0	32,636	0	0	32,636
0	56,529	0	0	0	56,529
0	0	0	0	2,861	2,861
12,818	126,529	39,612	0	790,229	2,598,289
0	0	0	6,682,921	0	6,682,921
149,719	0	0	0	0	149,719
(58,074)	(26,516) (51,346)	0	0	0	(26,516) (109,420)
0	0	0	0	0	284,951
0	0	0	0	0	12,255
0	0	0	0	0	429,710
0	0	0	0	0	22,817
0	0	44,174	0	(2,861)	1,361,486
91,645	(77,862)	44,174	6,682,921	(2,861)	8,807,923
<u>\$104,463</u>	<u>\$48,667</u>	<u>\$83,786</u>	<u>\$6,682,921</u>	<u>\$787,368</u>	<u>\$11,406,212</u>

See accountant's compilation report

Belmont-Harrison Joint 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, 2002

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<i>Revenues:</i>					
Property and Other Local Taxes	\$1,645,914	\$0	\$0	\$0	\$1,645,914
Intergovernmental	3,610,046	278,818	0	0	3,888,864
Interest	77,883	0	0	1,154	79,037
Tuition and Fees	5,478	0	0	0	5,478
Extracurricular Activities	0	15,796	0	0	15,796
Gifts and Donations	325	0	0	29,792	30,117
Customer Services	10,408	0	0	0	10,408
Miscellaneous	17,500	179	0	0	17,679
Total Revenues	5,367,554	294,793	0	30,946	5,693,293
<i>Expenditures:</i>					
Current:					
Instruction:					
Regular	387,457	7,483	0	0	394,940
Special	0	43,303	0	0	43,303
Vocational	2,726,629	10,650	0	35,223	2,772,502
Support Services:					
Pupils	607,854	136,017	0	0	743,871
Instructional Staff	9,018	54,983	0	0	64,001
Board of Education	23,687	0	0	0	23,687
Administration	452,103	5,759	0	0	457,862
Fiscal	210,301	0	0	0	210,301
Operation and Maintenance of Plant	698,158	1,057	6,350	0	705,565
Central	7,365	16,329	0	0	23,694
Operation of Non-Instructional Services	463	11,600	0	0	12,063
Extracurricular Activities	24,216	10,194	0	0	34,410
Debt Service:					
Principal Retirement	656	0	0	0	656
Interest and Fiscal Charges	21	0	0	0	21
Total Expenditures	5,147,928	297,375	6,350	35,223	5,486,876
Excess of Revenues Over (Under) Expenditures	219,626	(2,582)	(6,350)	(4,277)	206,417
<i>Other Financing Sources (Uses):</i>					
Operating Transfers Out	(10,000)	0	0	0	(10,000)
Proceeds from Sale of Fixed Assets	356	0	0	0	356
Total Other Financing Sources (Uses)	(9,644)	0	0	0	(9,644)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and 'Other Financing (Uses)	209,982	(2,582)	(6,350)	(4,277)	196,773
Fund Balances at Beginning of Year	1,801,639	6,932	61,361	48,451	1,918,383
Decrease in Reserve for Inventory	(716)	(360)	0	0	(1,076)
Fund Balances at End of Year	\$2,010,905	\$3,990	\$55,011	\$44,174	\$2,114,080

See accompanying notes to the general purpose financial statements.
 See accountant's compilation report

Belmont-Harrison Joint 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, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>			
Property and Other Local Taxes	\$1,314,000	\$1,316,270	\$2,270
Intergovernmental	3,604,839	3,610,046	5,207
Interest	108,000	106,626	(1,374)
Tuition and Fees	5,478	5,478	0
Extracurricular Activities	0	0	0
Gifts and Donations	325	325	0
Customer Services	10,550	10,408	(142)
Miscellaneous	23,428	19,787	(3,641)
	5,066,620	5,068,940	2,320
<i>Expenditures:</i>			
Current:			
Instruction:			
Regular	431,117	393,951	37,166
Special	0	0	0
Vocational	2,876,429	2,825,034	51,395
Support Services:			
Pupils	645,931	631,168	14,763
Instructional Staff	10,000	10,000	0
Board of Education	30,434	27,213	3,221
Administration	479,309	461,522	17,787
Fiscal	227,939	216,274	11,665
Operation and Maintenance of Plant	896,279	810,688	85,591
Central	10,000	7,430	2,570
Operation of Non-Instructional Services	5,000	463	4,537
Extracurricular Activities	37,000	30,355	6,645
	5,649,438	5,414,098	235,340
Total Expenditures	5,649,438	5,414,098	235,340
Excess of Revenues Over (Under) Expenditures	(582,818)	(345,158)	237,660
<i>Other Financing Sources (Uses):</i>			
Proceeds from Sale of Fixed Assets	356	356	0
Operating Transfers Out	(10,000)	(10,000)	0
Advances In	94,360	90,426	(3,934)
Advances Out	(119,000)	(112,963)	6,037
	(34,284)	(32,181)	2,103
Total Other Financing Sources (Uses)	(34,284)	(32,181)	2,103
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(617,102)	(377,339)	239,763
Fund Balances at Beginning of Year	1,744,695	1,744,695	0
Prior Year Encumbrances Appropriated	281,830	281,830	0
Fund Balances at End of Year	\$1,409,423	\$1,649,186	\$239,763

(continued)

Belmont-Harrison Joint 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, 2002

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>			
Property and Other Local Taxes	\$0	\$0	\$0
Intergovernmental	281,589	280,608	(981)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	15,150	15,796	646
Gifts and Donations	0	0	0
Customer Services	0	0	0
Miscellaneous	0	0	0
Total Revenues	296,739	296,404	(335)
<i>Expenditures:</i>			
Current:			
Instruction:			
Regular	7,529	7,483	46
Special	50,850	43,660	7,190
Vocational	36,033	34,599	1,434
Support Services:			
Pupils	155,155	150,222	4,933
Instructional Staff	71,177	62,574	8,603
Board of Education	0	0	0
Administration	5,750	5,750	0
Fiscal	0	0	0
Operation and Maintenance of Plant	1,057	1,057	0
Central	18,071	16,329	1,742
Operation of Non-Instructional Services	11,651	11,600	51
Extracurricular Activities	10,973	10,920	53
Total Expenditures	368,246	344,194	24,052
Excess of Revenues Over (Under) Expenditures	(71,507)	(47,790)	23,717
<i>Other Financing Sources (Uses):</i>			
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfers Out	0	0	0
Advances In	46,441	42,963	(3,478)
Advances Out	(54,360)	(50,426)	3,934
Total Other Financing Sources (Uses)	(7,919)	(7,463)	456
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(79,426)	(55,253)	24,173
Fund Balances at Beginning of Year	35,458	35,458	0
Prior Year Encumbrances Appropriated	45,190	45,190	0
Fund Balances at End of Year	\$1,222	\$25,395	\$24,173

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	2,175	1,154	(1,021)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	29,792	29,792	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>31,967</u>	<u>30,946</u>	<u>(1,021)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	48,000	34,032	13,968
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
61,361	61,361	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>61,361</u>	<u>61,361</u>	<u>0</u>	<u>48,000</u>	<u>34,032</u>	<u>13,968</u>
<u>(61,361)</u>	<u>(61,361)</u>	<u>0</u>	<u>(16,033)</u>	<u>(3,086)</u>	<u>12,947</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(61,361)	(61,361)	0	(16,033)	(3,086)	12,947
61,361	61,361	0	54,244	54,244	0
0	0	0	0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$38,211</u>	<u>\$51,158</u>	<u>\$12,947</u>

(continued)

Belmont-Harrison Joint 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, 2002

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i><u>Revenues:</u></i>			
Property and Other Local Taxes	\$1,314,000	\$1,316,270	\$2,270
Intergovernmental	3,886,428	3,890,654	4,226
Interest	110,175	107,780	(2,395)
Tuition and Fees	5,478	5,478	0
Extracurricular Activities	15,150	15,796	646
Gifts and Donations	30,117	30,117	0
Customer Services	10,550	10,408	(142)
Miscellaneous	23,428	19,787	(3,641)
	<u>5,395,326</u>	<u>5,396,290</u>	<u>964</u>
<i><u>Expenditures:</u></i>			
Current:			
Instruction:			
Regular	438,646	401,434	37,212
Special	50,850	43,660	7,190
Vocational	2,960,462	2,893,665	66,797
Support Services:			
Pupils	801,086	781,390	19,696
Instructional Staff	81,177	72,574	8,603
Board of Education	30,434	27,213	3,221
Administration	485,059	467,272	17,787
Fiscal	227,939	216,274	11,665
Operation and Maintenance of Plant	958,697	873,106	85,591
Central	28,071	23,759	4,312
Operation of Non-Instructional Services	16,651	12,063	4,588
Extracurricular Activities	47,973	41,275	6,698
	<u>6,127,045</u>	<u>5,853,685</u>	<u>273,360</u>
Excess of Revenues Over (Under) Expenditures	<u>(731,719)</u>	<u>(457,395)</u>	<u>274,324</u>
<i><u>Other Financing Sources (Uses):</u></i>			
Proceeds from Sale of Fixed Assets	356	356	0
Operating Transfers Out	(10,000)	(10,000)	0
Advances In	140,801	133,389	(7,412)
Advances Out	(173,360)	(163,389)	9,971
	<u>(42,203)</u>	<u>(39,644)</u>	<u>2,559</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(773,922)</u>	<u>(497,039)</u>	<u>276,883</u>
Fund Balances at Beginning of Year	1,895,758	1,895,758	0
Prior Year Encumbrances Appropriated	<u>327,020</u>	<u>327,020</u>	<u>0</u>
Fund Balances at End of Year	<u>\$1,448,856</u>	<u>\$1,725,739</u>	<u>\$276,883</u>

See accompanying notes to the general purpose financial statements.

Belmont-Harrison Joint 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, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<i><u>Operating Revenues:</u></i>			
Sales	\$68,086	\$0	\$68,086
Charges for Services	0	475,561	475,561
Other Operating Revenue	0	1,117	1,117
Total Operating Revenues	68,086	476,678	544,764
<i><u>Operating Expenses:</u></i>			
Salaries and Wages	49,765	0	49,765
Fringe Benefits	6,955	0	6,955
Purchased Services	4,504	23,922	28,426
Materials and Supplies	9,307	0	9,307
Other	821	160	981
Cost of Sales	54,784	0	54,784
Depreciation	2,195	0	2,195
Claims	0	462,341	462,341
Total Operating Expenses	128,331	486,423	614,754
Operating Loss	(60,245)	(9,745)	(69,990)
<i><u>Non-Operating Revenues/(Expenses) :</u></i>			
Federal Donated Commodities	7,950	0	7,950
Interest	0	272	272
Operating Grants	50,698	0	50,698
Loss on Sale of Fixed Asset	(731)	0	(731)
Total Non-Operating Revenues/(Expenses)	57,917	272	58,189
Loss Before Operating Transfers In	(2,328)	(9,473)	(11,801)
Operating Transfers In	10,000	0	10,000
Net Income (Loss)	7,672	(9,473)	(1,801)
Retained Earnings (Deficit) at Beginning of Year	(65,746)	(68,389)	(134,135)
Retained Earnings (Deficit) at End of Year	(58,074)	(77,862)	(135,936)
Contributed Capital at Beginning and End of Year	149,719	0	149,719
Total Fund Equity (Deficit) at End of Year	\$91,645	(\$77,862)	\$13,783

See accompanying notes to the general purpose financial statements
 See accountant's compilation report

Belmont-Harrison Joint 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, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Operating Revenues:</u>			
Sales	\$68,300	\$68,086	(\$214)
Charges for Services	0	0	0
Other	0	0	0
Interest	0	0	0
Operating Grants	50,900	55,668	4,768
Total Operating Revenues	119,200	123,754	4,554
<u>Operating Expenses:</u>			
Salaries	53,751	49,690	4,061
Fringe Benefits	13,435	11,189	2,246
Purchased Services	6,565	4,604	1,961
Materials and Supplies	68,142	56,694	11,448
Other	1,000	733	267
Capital Outlay	1,200	1,100	100
Total Operating Expenses	144,093	124,010	20,083
Excess of Revenues Under Expenses	(24,893)	(256)	24,637
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	18,200	10,000	(8,200)
Excess of Revenues, Advances and Transfers Over (Under) Expenses	(6,693)	9,744	16,437
Fund Equity at Beginning of Year	14,566	14,566	0
Prior Year Encumbrances Appropriated	1,099	1,099	0
Fund Equity at End of Year	\$8,972	\$25,409	\$16,437

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	\$68,300	\$68,086	(\$214)
464,000	475,561	11,561	464,000	475,561	11,561
1,200	1,117	(83)	1,200	1,117	(83)
300	272	(28)	300	272	(28)
0	0	0	50,900	55,668	4,768
465,500	476,950	11,450	584,700	600,704	16,004
0	0	0	53,751	49,690	4,061
484,386	475,978	8,408	497,821	487,167	10,654
24,122	23,922	200	30,687	28,526	2,161
0	0	0	68,142	56,694	11,448
250	160	90	1,250	893	357
0	0	0	1,200	1,100	100
508,758	500,060	8,698	652,851	624,070	28,781
(43,258)	(23,110)	20,148	(68,151)	(23,366)	44,785
70,000	70,000	0	70,000	70,000	0
(40,000)	(40,000)	0	(40,000)	(40,000)	0
0	0	0	18,200	10,000	(8,200)
(13,258)	6,890	20,148	(19,951)	16,634	36,585
41,777	41,777	0	56,343	56,343	0
0	0	0	1,099	1,099	0
<u>\$28,519</u>	<u>\$48,667</u>	<u>\$20,148</u>	<u>\$37,491</u>	<u>\$74,076</u>	<u>\$36,585</u>

Belmont-Harrison Joint Vocational School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	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	\$66,324	\$0	\$66,324
Cash Received from Fees	1,762	0	1,762
Cash Received from Quasi-External Transactions with Other Funds	0	475,561	475,561
Cash Received from Other Revenues	0	1,117	1,117
Cash Payments to Suppliers for Goods and Services	(61,023)	(23,922)	(84,945)
Cash Payments for Employee Services	(49,690)	0	(49,690)
Cash Payments for Employee Benefits	(11,189)	0	(11,189)
Cash Payments for Other Expenses	(733)	(160)	(893)
Cash Payments for Claims	0	(475,978)	(475,978)
Net Cash Used for Operating Activities	<u>(54,549)</u>	<u>(23,382)</u>	<u>(77,931)</u>
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>			
Operating Grants Received	55,668	0	55,668
Operating Transfers In	10,000	0	10,000
Advance Out	0	(40,000)	(40,000)
Advance In	0	70,000	70,000
Net Cash Provided by Noncapital Financing Activities	<u>65,668</u>	<u>30,000</u>	<u>95,668</u>
<i><u>Cash Flows from Capital and Related Financing Activities:</u></i>			
Payments for Capital Acquisitions	(1,100)	0	(1,100)
<i><u>Cash Flows from Investing Activities:</u></i>			
Interest	0	272	272
Net Increase in Cash and Cash Equivalents	10,019	6,890	16,909
Cash and Cash Equivalents at Beginning of Year	15,665	41,777	57,442
Cash and Cash Equivalents at End of Year	<u>\$25,684</u>	<u>\$48,667</u>	<u>\$74,351</u>
<i><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></i>			
Operating Loss	<u>(\$60,245)</u>	<u>(\$23,382)</u>	<u>(\$83,627)</u>
<i><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></i>			
Depreciation Expense	2,195	0	2,195
Donated Commodities Used During Year	7,233	0	7,233
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	2,407	0	2,407
Decrease in Prepays	80	0	80
Decrease in Inventory Held for Resale	161	0	161
Decrease in Materials and Supply Inventory	14	0	14
Increase in Accounts Payable	164	0	164
Increase in Accrued Wages Payable	75	0	75
Decrease in Compensated Absences Payable	(3,407)	0	(3,407)
Decrease in Intergovernmental Payable	(819)	0	(819)
Decrease in Deferred Revenue	(2,407)	0	(2,407)
Total Adjustments	<u>5,696</u>	<u>0</u>	<u>5,696</u>
Net Cash Used for Operating Activities	<u>(\$54,549)</u>	<u>(\$23,382)</u>	<u>(\$77,931)</u>

Noncash Operating Activities

Federal Donated Commodities in the amount of \$7,950 were received during the year and recorded as revenue.

See accompanying notes to the general purpose financial statements

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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, comprised of one or two representatives from each of the eight participating school districts' elected boards. The Board 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 23 classified employees and 67 certificated employees to provide services to Belmont, Harrison, Jefferson, Carroll, and Tuscarawas County juniors and seniors. For fiscal year 2002, the average daily membership was 507.

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 of 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 the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) and the Ohio School Boards Association Workers' Compensation Group Rating Program, which are defined as a jointly governed organization and an insurance purchasing pool. These organizations are presented in Notes 18 and 19.

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 Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 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 and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 with sixty day 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 6).

Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, 2002, but which were levied to finance fiscal year 2003 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.

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.

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.

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 2002.

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 at the fund/function level of expenditures for the General Fund and at the fund level of expenditures for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the 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. 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 appropriations to the function and object level.

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.

Belmont-Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 and cash equivalents with fiscal agents." During fiscal year 2002, the investments were limited to certificates of deposit, which are reported at cost, and STAROhio.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. 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, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$77,883, which includes \$11,550 assigned from other School District funds.

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.

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 the unspent workers' compensation monies. See Note 21 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.

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

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".

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.

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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.

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, inventories of supplies and materials, property taxes, 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 budget stabilization represents unspent workers' compensation money.

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. 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. Any contributed capital received subsequent to fiscal year 2002 will be recorded as revenues and as increases in retained earnings.

Belmont-Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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.

NOTE 3 - ACCOUNTABILITY

FUND DEFICITS:

At June 30, 2002, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Vocational Education Planning Districts	\$3,283
Internal Service Fund:	
Self Insurance	\$77,862

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - 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 Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) Proprietary Fund Type 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).

Belmont-Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$209,982	(\$2,582)	(\$6,350)	(\$4,277)
Revenue Accruals	(298,614)	1,611	0	0
Expenditure Accruals	(1,849)	(7,933)	0	1,191
Prepaid Items	(20,416)	384	0	0
Material/Supply Inventory	716	(360)	0	0
Advances	(22,537)	(7,463)	0	0
Encumbrances	(244,621)	(38,910)	(55,011)	0
Budget Basis	<u>(\$377,339)</u>	<u>(\$55,253)</u>	<u>(\$61,361)</u>	<u>(\$3,086)</u>

Net Income (Loss)/Excess of Revenues and Other Financing Sources Over (Under)
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$7,672	(\$9,473)
Revenue Accrual	\$4,990	
Expense Accrual	(5,824)	(13,637)
Materials and Supplies Inventory	14	0
Inventory Held for Resale	161	0
Prepaid Items	80	0
Loss on Sale of Fixed Assets	731	0
Depreciation Expense	2,195	0
Advances	0	30,000
Encumbrances	(275)	0
Budget Basis	<u>\$9,744</u>	<u>\$6,890</u>

NOTE 5 – 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 Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings 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 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 Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 qualifies trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2002, the School District’s internal service fund had a balance of \$48,667 with OME-RESA, a jointly governed organization (See Note 18). The money is held by the claims services 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 43695.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.”

Deposits: At fiscal year end, the carrying amount of the School District’s deposits was \$1,208,140 and the bank balance was \$2,335,121. The bank balance was covered by federal depository insurance and 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	\$914,453
Total	\$914,453

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 Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,122,593	\$0
Investments:		
STAROhio	(914,453)	914,453
GASB Statement 3	\$1,208,140	\$914,453

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 property taxes are levied after April 1, 2002 on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2002 on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$792,377,370	77.69%	\$799,588,890	80.59%
Public Utility Personal	135,466,100	13.28%	92,343,870	9.31%
Tangible Personal	92,094,690	9.03%	100,237,170	10.10%
	\$1,019,938,160	100.00%	\$992,169,930	100.00%
Tax Rate per \$1,000 of assessed valuation		\$1.45		\$1.45

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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.

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

The 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, 2002, 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 represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance, at June 30, 2002, was \$429,710 available to the general fund and is recognized as revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, interest, accounts, 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>
Special Revenue Funds:	
School Net Professional Development	\$1,675
Vocational Education Planning District	37,687
Career Development	2,590
Total Intergovernmental Receivables	\$41,952

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$164,488
Less Accumulated Depreciation	(88,381)
Net Fixed Assets	\$76,107

Belmont-Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$109,628	\$0	\$0	\$109,628
Buildings and Improvements	3,787,489	0	0	3,787,489
Furniture, Fixtures and Equipment	2,490,308	209,614	79,771	2,620,151
Vehicles	84,069	81,584	0	165,653
Totals	<u>\$6,471,494</u>	<u>\$291,198</u>	<u>\$79,771</u>	<u>\$6,682,921</u>

NOTE 9 - 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. During fiscal year 2002, the School District contracted with Nationwide Insurance Company for commercial auto coverage and with Utica National for property, commercial crime, commercial inland marine, and boiler and machinery. 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.

The District's liability policy is with Ohio School Plan. 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 and \$1,000,000 aggregate. 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.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). 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 GRPs 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 \$56,529 reported in the internal service fund at June 30, 2002, is based on an estimate

Belmont-Harrison Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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:

	Beginning of Year	Claims	Payments	End of Year
2001	\$48,186	\$510,988	\$489,008	\$70,166
2002	\$70,166	\$462,341	\$475,978	\$56,529

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$19,672, \$19,068 and \$24,086 respectively; 99.52 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$95 representing the unpaid contribution for fiscal year 2002, 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 School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$243,752, \$243,676 and \$99,333, respectively; 85.69 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$34,881 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

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, 2002, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS 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 cost 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$115,461 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$50,258.

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 82 days for certified employees and 85 days for classified employees. For those employees with more than 82/85 days of accumulated sick leave days, the School District will pay twenty dollars per each day of sick leave above 82/85 days.

B. Insurance Benefits

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 of the Self-Insurance Plan for single coverage and 96 percent 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.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into a capital lease. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the general purpose financial statements for the governmental funds. Equipment acquired by lease has been capitalized in the general fixed assets account group in the amount of \$4,829, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments towards all capital leases during 2002 totaled \$656. This lease was paid in full during fiscal year 2002.

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG - TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding <u>6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/02</u>
Compensated Absences	\$810,075	\$183,727	\$206,434	\$787,368
Pension Obligation	2,236	2,861	2,236	2,861
Capital Leases	<u>656</u>	<u>0</u>	<u>656</u>	<u>0</u>
Total General Long-Term Obligations	<u>\$812,967</u>	<u>\$186,588</u>	<u>\$209,326</u>	<u>\$790,229</u>

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 – CONTRACT COMMITMENTS

As of June 30, 2002 the School District had a contractual commitment for an air conditioning unit. The contract is for \$84,450 with \$78,100 outstanding at June 30, 2002.

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2002 receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	<u>\$112,963</u>	<u>\$0</u>
Special Revenue Funds:		
Miscellaneous Grant	0	2,956
Vocational Education		
Planning Districts Grant	<u>0</u>	<u>40,007</u>
Total Special Revenue Funds	<u>0</u>	<u>42,963</u>
Internal Service Fund:		
Self Insurance	<u>0</u>	<u>70,000</u>
Total Internal Service Fund	<u>0</u>	<u>70,000</u>
Total All Funds	<u>\$112,963</u>	<u>\$112,963</u>

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Belmont-Harrison Vocational School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$66,324	\$1,762	\$68,086
Depreciation Expense	2,195	0	2,195
Operating Income (Loss)	(62,007)	1,762	(60,245)
Donated Commodities	7,950	0	7,950
Operating Grants	50,698	0	50,698
Loss on Sale of Fixed Assets	(731)	0	(731)
Net Income (Loss)	(4,090)	1,762	(2,328)
Fixed Asset Additions	1,100	0	1,100
Net Working Capital	7,398	8,140	15,538
Total Assets	96,176	8,287	104,463
Total Equity	83,505	8,140	91,645
Encumbrances Outstanding			0
at June 30, 2002	\$275	\$0	\$275

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

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 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, 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 2002, the School District contributed \$9,961 to the Agency. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

NOTE 19 – INSURANCE PURCHASING POOL

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.

NOTE 20 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its third opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 21 - 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 2002, the Board enacted a resolution to transfer all monies but the workers compensation refunds to the general fund.

Belmont-Harrison Joint Vocational School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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, 2001	(\$825,807)	\$0	\$22,817
Current Year Set-aside Requirement	68,615	68,615	0
Qualifying Disbursements	<u>(455,533)</u>	<u>(222,650)</u>	<u>0</u>
Totals	<u>(\$1,212,725)</u>	<u>(\$154,035)</u>	<u>\$22,817</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,212,725)</u>	<u>\$0</u>	<u>\$22,817</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$22,817</u>

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

NOTE 22 - 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, 2002.

B. Litigation

The School District is not party to any legal proceedings.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS 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 general purpose financial statements of Belmont-Harrison Vocational School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated November 18, 2002. 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*.

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 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
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

Jim Petro
Auditor of State

November 18, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 7, 2003**