



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Vanguard-Sentinel Career Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Vanguard-Sentinel Career Centers (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Vanguard-Sentinel Career Centers, Sandusky County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds 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 29, 2001 on our consideration of the 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 29, 2001

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**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,819,708	\$193,817	\$500,000	\$3,699,244
Cash and Cash Equivalents:				
In Segregated Accounts	146			
Receivables:				
Accounts	652	1,357		
Intergovernmental	125,796	144,670		
Accrued Interest	155,194			
Interfund Receivable	209,787			
Property and Other Local Taxes	3,637,151			
Prepaid Items	66,322	3,132		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	55,852			
Inventory Held for Resale				
Materials and Supplies Inventory				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$7,070,608	\$342,976	\$500,000	\$3,699,244

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$176,111	\$248,620			\$7,637,500
				146
11,884	551			14,444
75,115				345,581
				155,194
				209,787
				3,637,151
2,367	13			71,834
				55,852
7,249				7,249
7,149				7,149
37,417		\$19,307,848		19,345,265
			\$500,000	500,000
			834,487	834,487
\$317,292	\$249,184	\$19,307,848	\$1,334,487	\$32,821,639

(Continued)

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$45,888	\$1,840		
Accrued Wages	972,185	81,047		
Compensated Absences Payable	20,304			
Interfund Payable		159,787		
Deferred Revenue	3,355,020	59,335		
Due to Students				
School Facilities Loan Payable				
Total Liabilities	4,393,397	302,009		
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	288,934	39,348		
Reserved for Property Taxes	379,542			
Reserved for Debt Service:				
Principal			\$500,000	
Reserved for Budget Stabilization	55,852			
Designated for Budget Stabilization	417,362			
Reserved for Trust				
Unreserved:				
Undesignated	1,535,521	1,619		\$3,699,244
Total Fund Equity and Other Credits	2,677,211	40,967	500,000	3,699,244
Total Liabilities, Fund Equity and Other Credits	\$7,070,608	\$342,976	\$500,000	\$3,699,244

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$8,663	\$1,815			\$58,206
46,243	382			1,099,857
49,168			\$834,487	903,959
50,000				209,787
72,882				3,487,237
	26,377			26,377
			500,000	500,000
<u>226,956</u>	<u>28,574</u>		<u>1,334,487</u>	<u>6,285,423</u>
		\$19,307,848		19,307,848
2,300				2,300
88,036				88,036
	210			328,492
				379,542
				500,000
				55,852
				417,362
	902			902
	219,498			5,455,882
<u>90,336</u>	<u>220,610</u>	<u>19,307,848</u>		<u>26,536,216</u>
<u>\$317,292</u>	<u>\$249,184</u>	<u>\$19,307,848</u>	<u>\$1,334,487</u>	<u>\$32,821,639</u>

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$7,075,508	\$1,029,875
Interest	473,431	
Tuition and Fees	3,945	
Gifts and Donations		1,871
Property and Other Local Taxes	3,418,391	
Miscellaneous	326,643	23,310
Total Revenues	11,297,918	1,055,056
Expenditures:		
Current:		
Instruction:		
Regular	251,390	
Special	95,493	13,978
Vocational	6,253,621	277,975
Adult/Continuing		105,127
Support Services:		
Pupils	191,853	403,677
Instructional Staff	531,397	154,046
Board of Education	31,532	
Administration	554,407	26,992
Fiscal	327,334	1,298
Operation and Maintenance of Plant	1,163,958	6,377
Pupil Transportation	40,259	6,441
Central		76,486
Operation of Non-Instructional Services		2,957
Extracurricular Activities	11,271	
Capital Outlay		
Debt Service:		
Principal Retirement		
Total Expenditures	9,452,515	1,075,354
Excess of Revenues Over (Under) Expenditures	1,845,403	(20,298)
Other Financing Sources (Uses):		
Proceeds from Sale of Fixed Assets	2,125	
Refund of Prior Year Expenditures	13,499	
Operating Transfers In		13,924
Operating Transfers Out	(1,216,811)	
Increase (Decrease) in Fair Value of Investments	4,339	
Total Other Financing Sources (Uses)	(1,196,848)	13,924
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	648,555	(6,374)
Fund Balances (Deficit) at Beginning of Year	2,028,656	47,341
Fund Balances (Deficits) at End of Year	\$2,677,211	\$40,967

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
	\$25,500		\$8,130,883
		\$1,876	475,307
			3,945
			1,871
			3,418,391
		20,537	370,490
	<u>25,500</u>	<u>22,413</u>	<u>12,400,887</u>
			251,390
			109,471
	18,000	6,236	6,555,832
		10,798	115,925
			595,530
		2,859	688,302
			31,532
			581,399
			328,632
			1,170,335
			46,700
			76,486
			2,957
			11,271
		118	118
\$66,667			66,667
<u>66,667</u>	<u>18,000</u>	<u>20,011</u>	<u>10,632,547</u>
<u>(66,667)</u>	<u>7,500</u>	<u>2,402</u>	<u>1,768,340</u>
			2,125
			13,499
	1,200,000	2,887	1,216,811
			(1,216,811)
			4,339
	<u>1,200,000</u>	<u>2,887</u>	<u>19,963</u>
(66,667)	1,207,500	5,289	1,788,303
566,667	2,491,744	214,175	5,348,583
<u>\$500,000</u>	<u>\$3,699,244</u>	<u>\$219,464</u>	<u>\$7,136,886</u>

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2001**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$7,041,175	\$7,078,686	\$37,511
Interest	310,000	380,215	70,215
Tuition and Fees	10,000	3,955	(6,045)
Gifts and Donations			
Property and Other Local Taxes	3,357,349	3,431,016	73,667
Miscellaneous	246,300	329,091	82,791
Total Revenues	<u>10,964,824</u>	<u>11,222,963</u>	<u>258,139</u>
Expenditures:			
Current:			
Instruction:			
Regular	252,881	239,655	13,226
Special	95,890	90,482	5,408
Vocational	6,522,085	6,419,185	102,900
Adult/Continuing			
Support Services:			
Pupils	224,009	213,424	10,585
Instructional Staff	539,644	514,574	25,070
Board of Education	48,531	35,993	12,538
Administration	567,001	552,252	14,749
Fiscal	356,484	324,904	31,580
Operation and Maintenance of Plant	1,335,369	1,306,785	28,584
Pupil Transportation	46,913	44,354	2,559
Central			
Operation of Non-Instructional Services			
Extracurricular Activities	17,000	11,271	5,729
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	<u>10,005,807</u>	<u>9,752,879</u>	<u>252,928</u>
Excess of Revenues Over (Under) Expenditures	<u>959,017</u>	<u>1,470,084</u>	<u>511,067</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	100	2,125	2,025
Refund of Prior Year Expenditures		13,478	13,478
Advances In	163,000	163,000	
Advances Out	(210,500)	(209,787)	713
Operating Transfers In			
Operating Transfers Out	(1,276,011)	(1,216,811)	59,200
Total Other Financing Sources (Uses)	<u>(1,323,411)</u>	<u>(1,247,995)</u>	<u>75,416</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(364,394)	222,089	586,483
Fund Balances (Deficit) at Beginning of Year	1,951,553	1,951,553	
Prior year Encumbrances Appropriated	367,281	367,281	
Fund Balances (Deficit) at End of Year	<u>\$1,954,440</u>	<u>\$2,540,923</u>	<u>\$586,483</u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,130,349	\$1,017,257	(\$113,092)			
1,650	1,744	94			
31,605	31,699	94			
1,163,604	1,050,700	(112,904)			
18,367	18,267	100			
336,758	304,387	32,371			
121,059	107,632	13,427			
427,596	406,309	21,287			
181,576	151,866	29,710			
28,285	27,136	1,149			
1,298	1,298				
6,912	6,912				
6,219	6,219				
86,153	85,862	291			
6,916	6,907	9			
			\$66,667	\$66,667	
1,221,139	1,122,795	98,344	66,667	66,667	
(57,535)	(72,095)	(14,560)	(66,667)	(66,667)	
	159,787	159,787			
	(162,000)	(162,000)			
13,924	13,924				
13,924	11,711	(2,213)			
(43,611)	(60,384)	(16,773)	(66,667)	(66,667)	
188,507	188,507		566,667	566,667	
24,535	24,535				
\$169,431	\$152,658	(\$16,773)	\$500,000	\$500,000	

(Continued)

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2001
(Continued)**

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$18,000	\$25,500	\$7,500
Interest			
Tuition and Fees			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	18,000	25,500	7,500
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational	18,000	18,000	
Adult/Continuing			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Operation of Non-Instructional			
Services			
Extracurricular Activities			
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	18,000	18,000	
Excess of Revenues Over (Under) Expenditures		7,500	7,500
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Advances Out			
Operating Transfers In	1,000,000	1,200,000	200,000
Operating Transfers Out			
Total Other Financing Sources (Uses)	1,000,000	1,200,000	200,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,000,000	1,207,500	207,500
Fund Balances (Deficit) at Beginning of Year	2,491,745	2,491,745	
Prior year Encumbrances Appropriated			
Fund Balances (Deficit) at End of Year	\$3,491,745	\$3,699,245	\$207,500

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,600	\$1,876	(\$2,724)	\$8,189,524	\$8,121,443	(\$68,081)
			314,600	382,091	67,491
			10,000	3,955	(6,045)
			1,650	1,744	94
18,200	20,916	2,716	3,357,349	3,431,016	73,667
22,800	22,792	(8)	296,105	381,706	85,601
			12,169,228	12,321,955	152,727
			252,881	239,655	13,226
			114,257	108,749	5,508
36,649	6,337	30,312	6,913,492	6,747,909	165,583
12,410	10,958	1,452	133,469	118,590	14,879
			651,605	619,733	31,872
3,220	2,872	348	724,440	669,312	55,128
			48,531	35,993	12,538
50		50	595,336	579,388	15,948
			357,782	326,202	31,580
			1,342,281	1,313,697	28,584
			53,132	50,573	2,559
			86,153	85,862	291
			6,916	6,907	9
			17,000	11,271	5,729
1,210	328	882	1,210	328	882
			66,667	66,667	
53,539	20,495	33,044	11,365,152	10,980,836	384,316
(30,739)	2,297	33,036	804,076	1,341,119	537,043
			100	2,125	2,025
			0	13,478	13,478
			163,000	322,787	159,787
			(210,500)	(371,787)	(161,287)
	2,887	2,887	1,013,924	1,216,811	202,887
			(1,276,011)	(1,216,811)	59,200
	2,887	2,887	(309,487)	(33,397)	276,090
(30,739)	5,184	35,923	494,589	1,307,722	813,133
213,591	213,591		5,412,063	5,412,063	
602	602		392,418	392,418	
\$183,454	\$219,377	\$35,923	\$6,299,070	\$7,112,203	\$813,133

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended, June 30, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Tuition	\$227,717		\$227,717
Sales	136,055		136,055
Charges for Services	95,939		95,939
Interest		\$59	59
Total Operating Revenue	<u>459,711</u>	<u>59</u>	<u>459,770</u>
Operating Expenses:			
Salaries	474,075		474,075
Fringe Benefits	105,371		105,371
Purchased Services	25,883		25,883
Materials and Supplies	196,113		196,113
Cost of Sales	46,793		46,793
Depreciation	6,647		6,647
Other	113		113
Capital Outlay	5,874		5,874
Total Operating Expenses	<u>860,869</u>		<u>860,869</u>
Operating Income (Loss)	<u>(401,158)</u>	<u>59</u>	<u>(401,099)</u>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	10,676		10,676
Federal and State Subsidies	311,289		311,289
Interest	2,401		2,401
Total Non-Operating Revenues (Expenses)	<u>324,366</u>		<u>324,366</u>
Net Income (Loss)	(76,792)	59	(76,733)
Retained Earnings/Fund Balance at Beginning of Year	<u>164,828</u>	<u>1,087</u>	<u>165,915</u>
Retained Earnings/Fund Balance at End of Year	88,036	1,146	89,182
Contributed Capital at Beginning and End of Year	<u>2,300</u>		<u>2,300</u>
Total Fund Equity at End of Year	<u>\$90,336</u>	<u>\$1,146</u>	<u>\$91,482</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Tuition	\$211,000	\$214,201	\$3,201
Sales	124,500	136,405	11,905
Charges for Services	85,500	97,359	11,859
Interest			
Total Revenues	421,000	447,965	26,965
Expenses:			
Salaries	473,962	466,500	7,462
Fringe Benefits	115,146	104,128	11,018
Purchased Services	31,388	28,098	3,290
Materials and Supplies	246,318	236,211	10,107
Capital Outlay	15,754	9,539	6,215
Other	150	149	1
Total Expenses	882,718	844,625	38,093
Excess of Revenues Over (Under) Expenses	(461,718)	(396,660)	65,058
Interest	2,500	2,401	(99)
Federal and State Subsidies	307,000	313,141	6,141
Transfers In	50,000		(50,000)
Advances In		50,000	50,000
Advances Out		(1,000)	(1,000)
Net Excess of Revenues Over (Under) Expenses,	(102,218)	(32,118)	70,100
Fund Equity (Deficit) at Beginning of Year	182,911	182,911	
Prior Year Encumbrances Appropriated	15,064	15,064	
Fund Equity (Deficit) at End of Year	\$95,757	\$165,857	\$70,100

The notes to the general-purpose financial statements are an integral part of this statement.

Nonexpendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$50	\$59	\$9
50	59	9
100		100
100		100
(50)	59	109
(50)	59	109
1,088	1,088	
\$1,038	\$1,147	\$109

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$211,000	\$214,201	\$3,201
124,500	136,405	11,905
85,500	97,359	11,859
50	59	9
421,050	448,024	26,974
473,962	466,500	7,462
115,146	104,128	11,018
31,488	28,098	3,390
246,318	236,211	10,107
15,754	9,539	6,215
150	149	1
882,818	844,625	38,193
(461,768)	(396,601)	65,167
2,500	2,401	(99)
307,000	313,141	6,141
50,000		(50,000)
	50,000	50,000
	(1,000)	(1,000)
(102,268)	(32,059)	70,209
183,999	183,999	
15,064	15,064	
\$96,795	\$167,004	\$70,209

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$233,764		\$233,764
Cash Received from Tuition Payments	214,201		214,201
Cash Received from Interest Income (Nonexpendable Trusts Only)		\$59	59
Cash Payments to Suppliers for Goods and Services	(260,078)		(260,078)
Cash Payments to Employees for Services	(466,500)		(466,500)
Cash Payments for Employee Benefits	(104,128)		(104,128)
	(382,741)	59	(382,682)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	313,141		313,141
Cash Received From Advances In	50,000		50,000
Cash Paid For Advances Out	(1,000)		(1,000)
	362,141		362,141
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(3,665)		(3,665)
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	2,401		2,401
Net Increase (Decrease) in Cash and Cash Equivalents	(21,864)	59	(21,805)
Cash and Cash Equivalents at Beginning of Year	197,975	1,087	199,062
Cash and Cash Equivalents at End of Year	\$176,111	\$1,146	\$177,257

(Continued)

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(\$401,158)	\$59	(\$401,099)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	6,647		6,647
Donated Commodities Used During Year	10,676		10,676
Non-Operating Change in Accruals	(1,852)		(1,852)
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(6,393)		(6,393)
(Increase)/Decrease in Prepaid Items	95		95
(Increase)/Decrease in Inventory Held for Resale	(1,483)		(1,483)
(Increase)/Decrease in Materials and Supplies Inventory	(773)		(773)
(Increase)/Decrease in Intergovernmental Receivables	(71,813)		(71,813)
Increase/(Decrease) in Accounts Payable	5,223		5,223
Increase/(Decrease) in Accrued Wages	5,228		5,228
Increase/(Decrease) in Compensated Absences Payable	3,641		3,641
Increase/(Decrease) in Deferred Revenue	69,221		69,221
	18,417		18,417
Total Adjustments	18,417		18,417
Net Cash Provided by Operating Activities	(\$382,741)	\$59	(\$382,682)

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001

Cash and Cash Equivalents:		
Trust and Agency Funds		\$248,620
Less: Expendable Trust Funds		(219,592)
Less: Agency Funds		(27,882)
		<u>\$1,146</u>
Cash and Cash Equivalents - Nonexpendable Trust Funds		\$1,146

The notes to the general-purpose financial statements are an integral part of this statement.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Vanguard-Sentinel Career Centers are a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Vanguard-Sentinel Career Centers School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The District operates under an appointed Board of Education consisting of 15 members. Each participating exempted village, local and city school district with the exception of Fremont City School District has one representative on the Board of Education; Fremont City School District has two representatives on the Board. The School District provides educational services as authorized by State statute and/or Federal guidelines.

The School District was established in 1965 for the purpose of providing vocational education to students in Sandusky County. Clyde, Fremont, Gibsonburg, and Lakota School Districts were the initial districts. The first students attended the district in September 1968. Port Clinton City School District joined in 1971 and Old Fort in 1975. In 1985, a new building was opened in Tiffin, Ohio to provide vocational education to students in Seneca and Wyandot counties. Member districts of the Sentinel Career Center in Tiffin are: Bettsville, Fostoria, Hopewell-Loudon, Mohawk, New Riegel, Seneca East, Tiffin City and Upper Sandusky schools.

The School District serves an area of approximately 1600 square miles. The School District is the 6th largest joint vocational school district in the State of Ohio (among 49 joint vocational districts) in terms of enrollment with an enrollment of 1,116 students. The District employed 10 administrative and supervisory personnel, 114 certificated employees and 30 non-certificated employees.

Reporting Entity:

A reporting entity consists of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Vanguard-Sentinel Career Centers, this includes general operations, food service, adult education, and student related activities of the School District.

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

The School District is associated with certain organizations which are defined as a jointly governed organization and a group purchasing pool. These organizations include the Northern Ohio Educational Computer Association, San-Ott Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general-purpose financial statements.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Vanguard-Sentinel Career Centers (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

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 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 account 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.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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 fund or trust funds).

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Type:

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

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.

Fiduciary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are 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 financial uses) in net current assets.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the account period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminate and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 time-table. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Sandusky 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 state the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual 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 official certificate of estimated resources issued during fiscal year 2001.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, 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 a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as 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, one supplemental appropriation resolution was legally enacted; however, this amendment was not significant.

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, except agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies 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 fund types and the expendable trust funds and reported in the notes to the financial statements for proprietary fund types and the nonexpendable trust fund.

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 Investments

To improve cash management, 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 combined balance sheet.

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit, commercial paper, agency obligations, and Star Ohio. Nonnegotiable certificates of deposit are reported at cost. Investments that mature within one year of acquisition are reported at amortized cost and investments maturities over one year of acquisition are reported at fair value which is based on quoted market prices.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, interest is credited to the General Fund, unless the law prescribes differently. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$473,431, which includes \$295,894 assigned from other 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 are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 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.

F. Inventory

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

G. 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 State statute to create a reserve for budget stabilization.

H. 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 asset lives are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables".

J. 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 full-time employees working eleven months or more.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and 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 employees who are age 45 or over or have 20 years of retirement service credit.

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 is 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.

K. 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, compensated absences 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 fiscal year end are considered not to have used current available financial resources. Long-term loans are reported as a liability of the general long-term obligation account group until due.

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

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are 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.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1992, 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.

M. Fund Balance Reserve/Designation

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 are established for encumbrances, property taxes, budget stabilization, designation for budget stabilization, and contributions to the nonexpendable trust fund that must be kept intact. The designation for budget stabilization represents money set aside under the provisions of ORC 5705.13(A).

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

N. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Jobs for Ohio's Graduates
Career Development
Teacher Development
EMIS
School Net
Tech Prep
Character Education
Safe, Drug-Free Schools
Adult Basic and Literacy Education
Chapter I - Migrant Education
Dwight D. Eisenhower Professional Development
Education Management Information Systems
Carl D. Perkins Title II
Title VI

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reimbursable Grants

Proprietary Funds

National School Lunch Program
Government Donated Commodities
Federal Pell Grant

Grants and entitlements amount to approximately sixty-five percent of the School District's operating revenue during the 2001 fiscal year.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, 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

P. 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.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows 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 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 -- BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/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 Revenue, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Similar Trust Fund 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 the GAAP basis are that:

- (1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (2) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (3) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds and as note disclosures in the proprietary fund types and nonexpendable trust fund (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)

The following tables summarize the adjustment 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
 Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Expendable Trusts</u>
<u>Budget Basis</u>	\$ 222,089	\$ (60,384)	\$ (66,667)	\$1,207,500	\$ 5,184
<u>Adjustments:</u>					
Revenue Accruals	(83,685)	(155,431)	0	0	(379)
Expenditure Accruals	175,368	168,279	0	0	484
Encumbrances	<u>334,783</u>	<u>41,162</u>	<u>0</u>	<u>0</u>	<u>0</u>
GAAP Basis	<u>\$ 648,555</u>	<u>\$ (6,374)</u>	<u>\$ (66,667)</u>	<u>\$ 1,207,500</u>	<u>\$ 5,289</u>

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 -- BUDGETARY BASIS OF ACCOUNTING (continued)

	<u>Enterprise</u>	Non-Expendable <u>Trust</u>
Net Income/Excess of Revenues Over (Under) Expenses, Advances and Transfers Proprietary Fund Type and Nonexpendable Trust Fund		
<u>Budget Basis</u>	\$ (32,118)	\$ 59
<u>Adjustments:</u>		
Revenue Accruals	(29,430)	0
Expenditure Accruals	(25,499)	0
Encumbrances	<u>10,255</u>	<u>0</u>
GAAP Basis	\$ (76,792) =====	\$ 59 =====

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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period 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 the 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, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money 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;

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or 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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (Star Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

At fiscal year-end, the carrying amount of the School District's deposits was \$7,004,658 and the bank balance was \$7,290,000. Of the bank balance, \$804,715 was covered by federal depository insurance; and \$6,485,285 was collateralized with pooled securities. Although the securities were held by the pledging financial institution, or by its' trust department or safekeeping agent, but not in the School District's name and all State statutory requirements for deposits of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

GASB Statement No. 3 requires that investments be categorized 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 counterparty'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 counterparty or by its trust department or agent but not in the School District's name. Star Ohio is an unclassified investment because it is not evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$688,694.

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 entitled "Reporting Cash flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 7,693,498	\$ 0
Cash on Hand	(146)	0
STAR Ohio	(688,694)	688,694
	-----	-----
GASB Statement 3	\$ 7,004,658	\$ 688,694
	=====	=====

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of utility property appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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.

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES (continued)

The School District receives property taxes from Crawford, Hancock, Huron, Marion, Ottawa, Sandusky, Seneca, Wood, and Wyandot counties. The county auditors periodically advance to the School District its portion of taxes collected. Second-half real property tax payments collected by the counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$379,542 in the General Fund. The amount available as an advance at June 30, 2000, was \$392,167 in the General Fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	<u>2000 Second- Half Collections</u>		<u>2001 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
	=====			
Agricultural/Residential and Other Real Estate	\$1,786,768,380	77.62%	\$1,929,754,190	78.80%
Public Utility	168,323,890	7.31	162,865,980	6.65
Tangible Personal Property	347,021,148	15.07	356,427,576	14.55
Total Assessed Value	<u>\$2,302,113,418</u>	<u>100.00%</u>	<u>\$2,449,047,746</u>	<u>100.00%</u>
	=====			
Tax rate per \$1,000 of assessed valuation		\$1.60		\$1.60

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, interest, accounts (billings for user charged services), 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Receivables</u>	<u>Amount</u>
General Fund	\$ 125,796
 <u>Special Revenue Funds:</u>	
Career Development Grant	12,650
Adult Basic Literacy Education Grant	33,757
Migrant Education	25,578
Eisenhower Grant	287
Carl Perkins Grant	67,495
Title VI B Grant	4,903

Total Special Revenue Fund	144,670

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 7 – RECEIVABLES (continued)

<u>Enterprise Funds:</u>	
State Subsidies	75,115

Total Intergovernmental Receivables	\$ 345,581
	=====

NOTE 8 - FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance 7/1/00	Additions	Retirements	Balance 6/30/01
Land	\$ 330,690	\$ 0	\$ 0	\$ 330,690
Buildings	14,319,007	28,375	0	14,347,382
Furniture and Equipment	3,924,204	677,463	299,685	4,301,982
Vehicles	234,961	97,383	4,550	327,794
Total General Fixed Assets	\$ 18,808,862	\$ 803,221	\$ 304,235	\$ 19,307,846

The following is a summary of proprietary fund-type fixed assets at June 30, 2001:

	<u>Enterprise Funds</u>
Buildings	\$ 7,000
Machinery and equipment	111,944
Contributed Capital	2,300
Less accumulated depreciation	(83,827)

Net fixed assets	\$ 37,417
	=====

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings - 40 years
 Equipment - 5-10 years

NOTE 9 - INTERFUND TRANSACTIONS

As of June 30, 2001, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund:</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 209,787	

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 9 - INTERFUND TRANSACTIONS (continued)

<u>Special Revenue:</u>		
Other Local Grants – Grads		\$ 4,500
Career Education Grant		15,000
Adult Basic Literacy Education		35,000
Eisenhower Grant		287
Vocational Planning Grant		100,000
Title VI Grant		5,000

Total Special Revenue		159,787
 <u>Enterprise Funds:</u>		
Adult Education		50,000
 TOTAL	 \$ 209,787 =====	 \$ 209,787 =====

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2001, the School District contracted with Indiana Insurance for property and Nationwide for fleet insurance and liability coverage.

Coverages provided by Indiana and Nationwide Insurance is as follows:

Buildings and contents - Replacement Cost (\$1,000 deductible)		\$ 34,841,378
Boiler and Machinery - Limit per accident (\$1,000 deductible)		15,000,000
Garage Liability		1,000,000
Garage Keepers Liability		45,000
Automobile Liability		2,000,000
Uninsured Motorists		2,000,000
General Liability		
Per occurrence		1,000,000
Total per Year		5,000,000
Umbrella Liability		1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2001, the School district participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 10 - RISK MANAGEMENT (continued)

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 Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan.

The School District participates in the San-Ott Insurance Consortium for its health insurance coverage. The School District pays premiums to the Consortium. The Consortium is responsible for the management and operation of the program. (See Note 18)

The School District provides life insurance and accidental death and dismemberment insurance to full-time employees through Medical Mutual Life.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Vanguard-Sentinel Career Centers contribute to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$813,823, \$822,223, and \$794,896, respectively, equal to the required contributions for each fiscal year.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 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 rate is 14 percent of annual covered payroll. For the fiscal year 2001, 4.2 percent 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 to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$146,167, \$138,558, and \$127,803, respectively, equal to the required contributions for each fiscal year.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of 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 2001, the 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 \$265,371 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the fund was \$3,419 billion. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

For the fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$102,479 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits .

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
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NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on twenty-seven percent (28%) of the value of employee's eligible (185 day maximum) accrued but unused sick leave days times the employees daily rate. Employees must have seven years of service in the district.

Administration and classified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the employee's accrued but unused sick leave days at the time of retirement based on twenty-seven percent (28%) of the value of employee's eligible (240 day maximum) accrued but unused sick leave days times the employees daily rate. Employees must have seven years of service in the district.

B. Health Care Benefits

The School District provides medical and life insurance to all employees through the San-Ott Insurance Consortium. The employees share the cost of the monthly premium with the Board.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2001 were as follows:

	Principal Outstanding <u>6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/01</u>
Vocational Building Assistance No Interest; Matures 9/30/2008	\$ 566,667	\$ 0	\$ 66,667	\$ 500,000
Compensated Absences Payable	767,664	66,823	0	834,487
Total General Long Term Obligation	<u>\$1,334,331</u> =====	<u>\$ 66,823</u> =====	<u>\$ 66,667</u> =====	<u>\$ 1,334,487</u> =====

On May 31, 1993, the State Board of Education granted a \$1,000,000 interest free loan for the purpose of purchasing the Terra Tech campus on Cedar Street and making necessary renovations. Payments of \$33,333 are to be made semi-annually beginning March 31, 1994 and maturing on September 30, 2008.

The accrued vacation and sick leave benefits recorded above represent the noncurrent portion of the liability. The current portion has been recorded in the appropriate fund types.

The School District's overall debt margin was \$220,414,297 with an unvoted debt margin of \$2,449,048 at June 30, 2001.

Principal and interest requirements to retire debt outstanding at June 30, 2001 are as follows:

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Fiscal Year Ending June 30	Principal	Interest	Total
2002	66,667		66,667
2003	66,667		66,667
2004	66,667		66,667
2005	66,667		66,667
2006	66,667		66,667
2007	66,666		66,666
2008	66,666		66,666
2009	33,333		33,333
Total	\$ 500,000 =====	=====	\$ 500,000 =====

NOTE 15 – RESERVATIONS OF FUND BALANCE

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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers compensation refunds is required to be set aside at fiscal year end.

The changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001 were as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Total</u>
Balance June 30, 2000	\$ 0	\$ 0	\$ 387,225	\$ 387,225
Legislative Reduction	0	0	(331,373)	(331,373)
Current Year Set Aside Requirement	283,928	283,928	0	567,856
Qualifying Expenditures	(283,928)	(283,928)	0	(567,856)
Balance June 30, 2001	\$ 0 =====	\$ 0 =====	\$ 55,852 =====	\$ 55,852 =====

Amounts of qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

VANGUARD-SENTINEL CAREER CENTERS
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, customer service, and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Vanguard-Sentinel Career Centers as of and for the fiscal year ended June 30, 2001:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Customer Service</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 72,645	\$ 32,878	\$ 95,939	\$ 258,249	\$ 459,711
Operating Expenses less Depreciation	112,642	31,474	103,778	606,328	854,222
Depreciation Expense	2,328	0	76	4,243	6,647
Operating Income (Loss)	(42,325)	1,404	(7,915)	(352,322)	(401,158)
Donated Commodities	10,676	0	0	0	10,676
Federal & State Subsidies	25,411	0	0	285,878	311,289
Interest	2,401	0	0	0	2,401
Net Income (Loss)	(3,837)	1,404	(7,915)	(66,444)	(76,792)
Contributed Capital	0	0	0	2,300	2,300
Fixed Asset Additions	0	0	0	3,665	3,665
Fixed Asset Reductions	1,400	0	0	8,435	9,835
Net Working Capital	33,426	13,172	85,148	(30,347)	101,399
Total Assets	63,085	13,172	85,557	155,478	317,292
Total Equity	\$ 42,740	\$ 13,172	\$ 85,557	\$ (51,133)	\$ 90,336

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association - The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty school districts. The jointly governed organization was 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 and educational service centers. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software packages utilized

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 17 - JOINTLY GOVERNED ORGANIZATION (continued)

The NOECA assembly consists of a superintendent from each participating school district a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NOTE 18 - GROUP PURCHASING POOL

San-Ott Schools Employee Welfare Benefit Association -The School District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association, whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The School District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established through the Ohio School Boards Association (OSBA) as a group 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 19 – STATE SCHOOL FUNDING

On September 6, 2001, the Ohio Supreme Court issued its latest 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.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 29, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, 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.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 19 – STATE SCHOOL FUNDING (continued)

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is a party to a suit filed in Wood County Common Pleas Court, Case Number 71064575129443759388, by Joseph Ellsion for damages totaling \$25,000.00.

The District's management is of the opinion that ultimate disposition of this claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

VANGUARD-SENTINEL CAREER CENTERS
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
(NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2001

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Project/ Contract Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Direct Program:</i>						
Pell Grant Program	84.063		\$24,650		\$24,650	
<i>Passed Through Ohio Department of Education:</i>						
Adult Education: State Grant Program	84.002	051458-AB-S1-2001	90,000		90,000	
		051458-AB-S1-2000	22,688		22,688	
		051458-AB-S1-2000	19,232		19,232	
			<u>131,920</u>		<u>131,920</u>	
Migrant Education: Basic State Grant Progra	84.011	051458-MG-S1-99C	2,247		2,247	
		051458-MG-S1-00C	2,032			
		051458-MG-S1-00	(2,032)		39,968	
		051458-MG-S1-01	10,962			
			<u>13,209</u>		<u>42,215</u>	
Vocational Education-Basic Grants to State	84.048	VECPHII-A2000-085	5,494		2,219	
		VECPHII-A2001-085	34,906		34,075	
		VECPHII-S2000-085	55,070		44,105	
		VECPHII-S2001-085	291,177		317,037	
			<u>386,647</u>		<u>397,436</u>	
Eisenhower Professional Development Stat	84.281	051458-MS-S1-99	2,582		2,869	
Innovative Education Strategies Programs	84.298	051458-C2-S1-2000	3,889			
		051458-C2-S1-2001	1,076		5,979	
			<u>4,965</u>		<u>5,979</u>	
Total Department of Education			<u>539,323</u>		<u>580,419</u>	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education:</i>						
Family Support Act-JOBS	93.561	051458-JB-S1-97			362	
		051458-JB-S1-98			3,575	
Total Department of Health and Human Services					<u>3,937</u>	
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution	10.550			11,585		10,676
National School Lunch Program	10.555	051458-04-PU-0000	5,514		5,514	
		051458-11-PU-0000	18,184		18,184	
Total Department of Agriculture			<u>23,698</u>	<u>11,585</u>	<u>23,698</u>	<u>10,676</u>
Total Federal Awards Receipts and Expenditu			<u>\$587,671</u>	<u>\$11,585</u>	<u>\$632,704</u>	<u>\$10,676</u>

The accompanying notes are an integral part of this schedule.

VANGUARD-SENTINEL CAREER CENTERS
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule. The Eisenhower Professional Development State Grant and requires matching funds.



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

Vanguard-Sentinel Career Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

We have audited the financial statements of Vanguard-Sentinel Career Centers (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 29, 2001. 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 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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 29, 2001.

Vanguard-Sentinel Career Centers
Sandusky 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, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 29, 2001



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

Vanguard-Sentinel Career Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

Compliance

We have audited the compliance of Vanguard-Sentinel Career Centers (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

November 29, 2001

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



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VANGUARD-SENTINEL CAREER CENTERS

SANDUSKY 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 3, 2002**