



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EHOVE CAREER CENTER
ERIE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

EHOVE Career Center
Erie County
316 Mason Road West
Milan, Ohio 44846-9771

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the EHOVE Career Center (the Career Center) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Career Center'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 Career Center, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the Career Center changed its policy for capitalizing certain fixed assets that are reported in the General Fixed Asset Account Group.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2002 on our consideration of the Career Center'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.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 3, 2002

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**EHOVE CAREER CENTER
ERIE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	Governmental Fund Type	
	General	Special Revenue
ASSETS AND OTHER DEBITS		
Assets:		
Equity in Pooled Cash and Investments	\$5,378,711	\$481,773
Receivables		
Taxes	5,482,616	
Accounts	125	55,705
Intergovernmental	52,828	251,395
Interfund Receivable	218,815	
Prepaid Items	8,356	1,575
Restricted Assets:		
Equity in Pooled Cash and Investments	48,764	
Inventory Held For Resale		52,136
Materials and Supplies Inventory	28,567	
Fixed Assets		
Other Debits:		
Amount To Be Provided From General Government Resources		
Total Assets and Other Debits	\$11,218,782	\$842,584
LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts Payable	\$207,405	\$188,942
Accrued Wages	639,833	81,336
Compensated Absences Payable	4,275	
Interfund Payables		218,815
Due To Other Funds		
Intergovernmental Payable	191,255	78,462
Due To Students		
Deferred Revenues	5,002,571	145,673
Matured Interest Payable	358	
Notes Payable		
Total Liabilities	6,045,697	713,228
Equity and Other Credits:		
Investment In General Fixed Assets		
Fund Balances		
Reserved For Encumbrances	77,995	50,766
Reserved For Inventory	28,567	50,020
Reserved For Prepaid Items	8,356	1,575
Reserve For Tax Advances Not Available for Appropriation	480,045	
Reserve For Budget Stabilization	48,764	
Unreserved, Undesignated	4,529,358	26,995
Total Equity and Other Credits	5,173,085	129,356
Total Liabilities, Equity and Other Credits	\$11,218,782	\$842,584

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

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	Trust and Agency	General Fixed Assets	
\$41,535			\$5,902,019
			5,482,616
72			55,902
			304,223
			218,815
			9,931
			48,764
			52,136
			28,567
	\$7,993,193		7,993,193
		\$588,248	588,248
\$41,607	\$7,993,193	\$588,248	\$20,684,414
\$870			\$397,217
			721,169
		\$488,248	492,523
			218,815
1,603			271,320
22,562			22,562
			5,148,244
			358
		100,000	100,000
25,035		588,248	7,372,208
	\$7,993,193		7,993,193
			128,761
			78,587
			9,931
			480,045
			48,764
16,572			4,572,925
16,572	7,993,193		13,312,206
\$41,607	\$7,993,193	\$588,248	\$20,684,414

**EHOVE CAREER CENTER
ERIE 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, 2002**

	Governmental Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Revenues:				
Taxes	\$5,805,066			\$5,805,066
Intergovernmental	4,478,721	\$1,937,494		6,416,215
Interest	198,571	1,753	\$354	200,678
Tuition and Fees	5,700	1,642,313		1,648,013
Extracurricular Activities		394		394
Food Service		167,270		167,270
Miscellaneous	70,649	252,159	4,776	327,584
Total Revenues	10,558,707	4,001,383	5,130	14,565,220
Expenditures:				
Current:				
Instruction:				
Regular	524,859			524,859
Special	408,945	21,435		430,380
Vocational	4,611,249	80,685		4,691,934
Adult/Continuing		2,996,126	4,348	3,000,474
Support Services:				
Pupils	474,878	398,846		873,724
Instructional Staff	198,004			198,004
Board of Education	33,778			33,778
Administration	942,594	370,565		1,313,159
Fiscal	271,520	5,000	203	276,723
Business	148,380			148,380
Operation and Maintenance of Plant	1,352,343			1,352,343
Pupil Transportation	14,615			14,615
Central	586,116	57,042		643,158
Operation of Non-Instructional Services:				
Other		237,339	1,400	238,739
Capital Outlay	210,036			210,036
Debt Service:				
Principal Retirement	100,000			100,000
Interest and Fiscal Charges	8,241			8,241
Total Expenditures	9,885,558	4,167,038	5,951	14,058,547
Excess of Revenues Over (Under) Expenditures	673,149	(165,655)	(821)	506,673
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	2,363			2,363
Refund of Prior Year Expenditures	53,561	53		53,614
Operating Transfers In		107,089		107,089
Operating Transfers Out	(107,089)			(107,089)
Total Other Financing Sources (Uses)	(51,165)	107,142		55,977
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	621,984	(58,513)	(821)	562,650
Fund Balances (Deficit) at Beginning of Year (Restated)	4,553,830	190,514	17,393	4,761,737
Increase (Decrease) in Reserve for Inventory	(2,729)	(2,645)		(5,374)
Fund Balances at End of Year	\$5,173,085	\$129,356	\$16,572	\$5,319,013

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$5,300,000	\$5,219,292	(\$80,708)
Intergovernmental	4,120,000	4,449,643	329,643
Food Services			
Interest	275,000	190,382	(84,618)
Tuition and Fees	5,000	5,700	700
Miscellaneous	80,000	47,380	(32,620)
Total Revenues	9,780,000	9,912,397	132,397
Expenditures:			
Current:			
Instruction:			
Regular	513,929	513,718	211
Special	422,529	422,232	297
Vocational	4,614,495	4,591,316	23,179
Adult/Continuing			
Support Services:			
Pupils	492,395	492,273	122
Instructional Staff	207,265	206,805	460
Board of Education	34,391	34,191	200
Administration	955,982	955,887	95
Fiscal	272,663	272,605	58
Business	151,780	151,716	64
Operation and Maintenance of Plant	1,412,714	1,412,184	530
Pupil Transportation	14,983	14,691	292
Central	601,828	601,692	136
Operation of Non-Instructional Services:			
Community Service			
Food Services			
Capital Outlay	221,113	221,033	80
Debt Service:			
Principal Retirement	108,600	108,600	
Total Expenditures	10,024,667	9,998,943	25,724
Excess of Revenues Over (Under) Expenditures	(244,667)	(86,546)	158,121
Other Financing Sources (Uses):			
Sale and Loss of Assets		2,363	2,363
Refund of Prior Year Receipts	20,000	53,561	33,561
Advances In	200,000	201,867	1,867
Advances Out	(266,300)	(218,815)	47,485
Operating Transfers In			
Operating Transfers Out	(109,000)	(107,089)	1,911
Total Other Financing Sources (Uses)	(155,300)	(68,113)	87,187
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(399,967)	(154,659)	245,308
Fund Balances at Beginning of Year	5,287,419	5,287,419	
Prior Year Encumbrances	107,671	107,671	
Fund Balances at End of Year	\$4,995,123	\$5,240,431	\$245,308

(Continued)

**EHOVE CAREER CENTER
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes			
Intergovernmental	\$1,720,310	\$2,076,774	\$356,464
Food Services	180,000	185,144	5,144
Interest			
Tuition and Fees	2,175,983	1,629,025	(546,958)
Miscellaneous	215,529	258,748	43,219
Total Revenues	4,291,822	4,149,691	(142,131)
Expenditures:			
Current:			
Instruction:			
Regular			
Special	21,497	21,497	
Vocational	495,995	478,996	16,999
Adult/Continuing	2,764,871	2,671,930	92,941
Support Services:			
Pupils	542,612	416,021	126,591
Instructional Staff			
Board of Education			
Administration	218,652	362,141	(143,489)
Fiscal	5,000	5,000	
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central	56,627	57,434	(807)
Operation of Non-Instructional Services:			
Community Service			
Food Services	255,882	255,878	4
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	4,361,136	4,268,897	92,239
Excess of Revenues Over (Under) Expenditures	(69,314)	(119,206)	(49,892)
Other Financing Sources (Uses):			
Sale and Loss of Assets			
Refund of Prior Year Receipts		53	53
Advances In	12,000	218,815	206,815
Advances Out		(201,867)	(201,867)
Operating Transfers In	57,500	107,089	49,589
Operating Transfers Out			
Total Other Financing Sources (Uses)	69,500	124,090	54,590
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	186	4,884	4,698
Fund Balances at Beginning of Year	170,995	170,995	
Prior Year Encumbrances	87,901	87,901	
Fund Balances at End of Year	\$259,082	\$263,780	\$4,698

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)
			\$5,300,000	\$5,219,292	(\$80,708)
			5,840,310	6,526,417	686,107
			180,000	185,144	5,144
\$50	\$354	\$304	275,050	190,736	(84,314)
			2,180,983	1,634,725	(546,258)
3,957	4,776	819	299,486	310,904	11,418
4,007	5,130	1,123	14,075,829	14,067,218	(8,611)
			513,929	513,718	211
			444,026	443,729	297
4,500	4,348	152	5,110,490	5,070,312	40,178
			2,769,371	2,676,278	93,093
			1,035,007	908,294	126,713
			207,265	206,805	460
			34,391	34,191	200
500	203	297	1,174,634	1,318,028	(143,394)
			278,163	277,808	355
			151,780	151,716	64
			1,412,714	1,412,184	530
			14,983	14,691	292
			658,455	659,126	(671)
1,600	1,400	200	1,600	1,400	200
			255,882	255,878	4
			221,113	221,033	80
			108,600	108,600	
6,600	5,951	649	14,392,403	14,273,791	118,612
(2,593)	(821)	1,772	(316,574)	(206,573)	110,001
				2,363	2,363
			20,000	53,614	33,614
			212,000	420,682	208,682
			(266,300)	(420,682)	(154,382)
			57,500	107,089	49,589
			(109,000)	(107,089)	1,911
			(85,800)	55,977	141,777
(2,593)	(821)	1,772	(402,374)	(150,596)	251,778
17,392	17,392		5,475,806	5,475,806	
			195,572	195,572	
\$14,799	\$16,571	\$1,772	\$5,269,004	\$5,520,782	\$251,778

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**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the Entity

EHOVE Career Center (the Career Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Career Center is a joint vocational school district as defined by § 3311.16 of the Ohio Revised Code. The Career Center operates under an appointed Board of Education (nine members) and is responsible for the provision of public education to residents of the Career Center.

Average daily membership (ADM) as of October 1, 2001, was 966. The Career Center employed 11 administrative and supervisory personnel, 80 certificated employees and 40 non-certificated employees.

The reporting entity is comprised of the Career Center, component units and other organizations that are included to ensure that the financial statements of the Career Center are not misleading. The Career Center consists of all funds, departments, boards and agencies that are not legally separate from the Career Center. For EHOVE, this includes regular vocational and special instruction. The Career Center also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

The Career Center is associated with three jointly governed organizations and two public entity risk pools. These organizations are presented in Notes 15 and 16 to the general-purpose financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Career Center 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 more significant of the Career Center's accounting policies are described below:

A. Basis of Presentation- Fund Accounting

The Career Center 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 government functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

1. Governmental Fund Types

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

General Fund -The general fund is the operating fund of the Career Center and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Career Center 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 that are legally restricted to expenditure for specified purposes.

2. Proprietary Fund Types

Proprietary funds are used to account for the Career Center's ongoing activities which are similar to those found in the private sector. The Career Center has no proprietary type funds.

3. Fiduciary Fund Types

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

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations 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 Career Center.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the Career Center.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

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 funds and expendable trust funds are accounted for using a 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 financing uses) in net current 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 used by all governmental fund types, expendable trust funds, and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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 Career Center, available means expected to be received within thirty days of fiscal year end.

Non-exchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, and entitlements. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements 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 Career Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis of accounting, the following revenue sources are considered both measurable and available at year end: property taxes available as an advance, grants, interest, and charges for services.

The Career Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when a 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, 2002, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary (cash) 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 required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the Career Center by March 1. As part of this certification, the Career Center receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the Career Center 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 of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the year.

3. Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about July 1 of each year for the period of July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30.

The appropriation resolution fixes spending authority at the object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Appropriations at the object level may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of moneys are encumbered and recorded as the equivalent of expenditures on the

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

5. Lapsing of Appropriations

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

D. Equity in Pooled Cash and Investments

To improve cash management, cash received by the Career Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Career Center's 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 2002, investments were limited to STAR Ohio, non-negotiable certificates of deposit, overnight repurchase agreements, treasury notes, federal agency securities, and commercial paper.

Except for participating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase and non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Participating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase and non-participating investment contracts are reported at cost or amortized cost.

The Career Center 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, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$198,924 which includes \$15,505 assigned from other Career Center funds.

For purposes of presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Career Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Interfund Assets/Liabilities

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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F. Inventories

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in 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 spendable resources even though it is a component of net current assets.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items. The costs of prepaid items are recognized as expenditures in governmental fund types when purchased. Reported prepaid items are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

H. Fixed Assets

During fiscal year 2002, the Career Center increased its capitalization threshold to \$500, from the previous threshold of \$100. Also, the Career Center changed their fixed asset policy to no longer include textbooks as capitalized fixed assets. These changes in the General Fixed Asset Account Group have resulted in a restatement. (see Note 3).

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost when historical records are available and at estimated historical cost when no historical records exist, and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received.

Improvements are capitalized. 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. Interest incurred during the construction of general fixed assets is also not capitalized. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of curbs, gutters, sidewalks, drainage systems, and lighting systems (if owned by the Career Center) are not capitalized, as these assets are immovable and of value only to the Career Center.

I. 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.

The Career Center currently participates in several State and federal programs, categorized as follows:

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Eisenhower Grant
Vocational Education
Title VI
Preschool
Educational Management Information System
Professional Development
High Schools That Work
School-to-Work
Pell Scholarship

Reimbursable Grants

General Fund

Vocational Education Equipment

Special Revenue Funds

National School Lunch Program
Government Donated Commodities

J. Compensated Absences

Accumulated vacation leave and sick leave of governmental fund type employees that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay them. The balance of the liability is recorded in the General Long Term Debt Account Group. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if the employee's rights to payment are attributable to services already rendered, and it is probable that the employer will compensate the employees for the benefits through time off or other means, such as cash payment at termination or retirement. The Career Center uses the vesting method for sick leave liability. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, and any applicable salary related payments.

K. 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

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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 expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources.

L. Fund Equity

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and may only be used for purposes authorized by State statute. A fund balance reserve has also been established. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Estimates

The preparation of financial statements in conformity with GAAP 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.

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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Memorandum Only - Total Columns

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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NOTE 3 – ACCOUNTING CHANGES

A. Accounting Changes

During fiscal year 2002, the Career Center increased its threshold for capitalizing fixed assets from \$100 to \$500, changed their policy to no longer capitalize textbooks and corrected a prior period error in building values. Of these changes, only the change in threshold and capitalization of the textbooks was considered material, but all changes were nonetheless recorded:

Balance Reported June 30, 2001	\$8,746,328
Adjustments:	
Change in Threshold Amount	(656,757)
Textbooks	(226,488)
Buildings	40,713
Restated Balance July 1, 2001	\$7,903,796

B. Correction of an Error and Restatement of Prior Year Fund Equity

As of June 30, 2001, deferred revenues were understated in the General Fund. The correction of this error had the following effect on fund balance:

	Fund Balance Previously Reported June 30, 2001	Adjustment	Fund Balance As Restated July 1, 2001
General Fund			
Deferred Revenue	\$5,979,277	(\$1,425,447)	\$4,553,830

The effect of the correction of this error on the Excess of Revenues Over/(Under) Expenditures as previously reported for the year ended June 30, 2001, is as follows:

	Excess of Revenues Over / (Under) Expenditures as Previously Reported June 30,2001	Adjustment	Excess of Revenues Over / (Under) Expenditures as Previously Reported June 30,2001
General Fund			
Deferred Revenue	\$821,625	(\$1,425,447)	(\$603,822)

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the Career Center is reporting financial position, results of operations and changes in fund balances 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 and Actual, All Governmental Fund Types and Expendable Trust Fund is presented on the budgetary basis to

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provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balances (GAAP) for governmental funds.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General	Special Revenue	Expendable Trust
Budget Basis	(\$154,659)	\$4,884	(\$821)
Net adjustment for revenue accruals	444,443	(367,123)	
Net adjustment for expenditure accruals	156,540	85,732	
Adjustment for encumbrances	175,660	217,994	
GAAP Basis	\$621,984	(\$58,513)	(\$821)

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

Interim 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 pass book accounts.

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

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

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(Continued)**

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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);
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 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Career Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the Career Center had \$250 in undeposited cash on hand which is included on the balance sheet of the Career Center as part of "equity in pooled cash and cash equivalents."

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."

A. Deposits

At year-end, the carrying amount of the Career Center's deposits was \$582,845 and the bank balance was \$773,415.

The Career Center's deposits are categorized below to give an indication of the level of credit risk assumed by the Career Center at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Career Center or its safekeeping agent in the Career Center's

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name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Career Center's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, trust department, or safekeeping agent, but not in the Career Center's name. The following show District deposits in each category:

Category 1 - \$687,730 was covered by federal depository insurance and by surety company bonds deposited with the treasurer by the financial institution.

Category 2 - \$85,685 was uninsured and uncollateralized because they were secured with securities held by the pledging institution, trust department, or safekeeping agent, but not in the Career Center's name.

B. Investments

The Career Center's investments are categorized below to give an indication of the level of risk assumed by the Career Center at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Career Center or its agent in the Career Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Career Center's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counter party or its trust department but not in the Career Center's name. The investments with Star Ohio are not categorized because the deposits in the account are not evidenced by securities, either in physical or book entry form.

	Carrying Amount	Fair Value
STAR Ohio - Not Categorized	\$3,389,502	\$3,389,502
U.S. Treasury Investments - Category 2	1,978,186	1,987,824
	\$5,367,688	\$5,377,326

C. GASB 9 to GASB 3 Reconciliation

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

	Cash and Cash Equivalents/ Deposits	Investments
Per GASB Statement No. 9	\$5,950,783	
Reclassifications:		
Cash on Hand	(250)	
STAR Ohio	(3,389,502)	\$3,389,502
U.S. Treasury Investments	(1,978,186)	1,978,186
Per GASB Statement No. 3	\$582,845	\$5,367,688

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JUNE 30, 2002
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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 Career Center’s district. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed values upon which the fiscal year 2001 taxes were collected are:

	2001 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$2,001,731,230	82%	\$2,045,398,861	84%
Public Utility Personal	145,604,550	6%	117,689,150	5%
Tangible Personal	284,832,760	12%	279,569,785	11%
Total	\$2,432,168,540	100%	\$2,442,657,796	100%
 Tax rate per \$1,000 of assessed valuation	 \$3.95		 \$3.95	

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. Real property owners’ tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Career Center by the State of Ohio.

The Career Center receives property taxes from various counties within the Career Center. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, 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, personal property and public utility taxes which became measurable as of June 30, 2002. 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, 2002 was \$480,045 and was recognized as revenue in the general fund. At June 30, 2001, \$442,154 was available to the Career Center in the general fund.

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NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amount</u>
General Fund:	
Taxes - Current	\$5,172,427
Taxes - delinquent	310,189
Accounts receivable	125
Due from other governments	52,828
Special Revenue Funds:	
Accounts receivable	55,705
Due from other governments	<u>251,395</u>
Total	<u><u>\$5,842,669</u></u>

NOTE 8 - FIXED ASSETS

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

<u>Asset Category</u>	<u>Restated Balance at 7/1/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 6/30/2002</u>
Land	\$378,920			\$378,920
Buildings	4,212,149			4,212,149
Furniture and Equipment	3,067,741	\$421,210	\$325,513	3,163,438
Moving Vehicles	244,986	3,800	10,100	238,686
Total	<u>\$7,903,796</u>	<u>\$425,010</u>	<u>\$335,613</u>	<u>\$7,993,193</u>

NOTE 9 - LONG-TERM DEBT

Long-term obligations of the Career Center as of June 30, 2002 were as follows:

<u>Outstanding at 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding at 6/30/02</u>
Compensated Absences	\$407,673	\$114,764	\$488,248
Energy Conservation Loan	200,000	100,000	100,000
Totals	<u>\$607,673</u>	<u>\$114,764</u>	<u>\$588,248</u>

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.

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On February 1, 1994, the Career Center borrowed \$1,400,000 in the form of a ten-year 4.30% note to finance energy conservation projects. The loan will be paid off with the utility savings generated from the energy improvements in accordance with House Bill 264 and Ohio Revised Code § 3313.372.

Annual debt service requirements to maturity for the Career Center's energy conservation notes, including interest of \$4,300, are as follows:

Year Ending June 30	Amount
2003	\$104,300

NOTE 10 – INTERFUND RECEIVABLES/PAYABLES

A. Interfund balances at June 30, 2002, consist of the following individual fund receivables and payables which are short term in nature (outstanding less than one year):

Fund	Receivable	Payable
General Fund	\$218,815	
Special Revenue Funds:		
Adult Ed. Resale		\$7,000
Auto Mechanics Rotary		1,425
Carpentry Rotary		1,690
Erie County WIA		27,725
Huron County WIA		44,266
Erie County One-Stop		24,575
HSTW Pacesetter Site		2,500
Carl Perkins Tech		3,815
Carl Perkins Adult 2001		10,417
Carl Perkins 2001		88,902
ONOW Grant 2001		6,500
Total All Funds	\$218,815	\$218,815

B. A reconciliation of the Career Center's operating transfers for fiscal year 2002 is as follows:

Fund	Transfers In	Transfers Out
General Fund		\$107,089
Special Revenue Funds:		
Food Service	\$48,500	
Adult Education	50,000	
Career Development	6,089	
HSTW Planning Grant	2,500	
Total Operating Transfers	\$107,089	\$107,089

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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NOTE 11 – OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative to three hundred two (302) days for certified employees and two hundred twenty-seven (227) days for non-certified employees.

B. Service Retirement Benefits

1. Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is one-fourth percent (25%) of the certified employee's accrued but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (76 days maximum) accrued but unused sick leave days. Employees must have ten years service and retire in the first year they become eligible to be entitled to the maximum of seventy (76) days.
2. Certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
3. Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is one-fourth of sick leave days accumulated, but not to exceed fifty-six (56) days. Non-certified employees must have ten or more years of public service at the time of retirement.
4. Non-certified employees shall receive a lump sum payment of \$125 per year of service with the Career Center upon retiring in the first year of eligibility (as defined by the School Employees Retirement System).
5. Administration employees, certified, and non-certified non-union staff are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is that as set forth in the EHOVE Education Association contract for administrators and as set forth in the OAPSE (Ohio Association of Public School Employees) contract for non-certified employees.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the Career Center is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The

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Career Center's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$580,628, 546,878, and \$327,934 respectively; 91 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$56,338, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2002, 5.46 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 statutory maximum amounts, by the SERS Retirement Board. The Career Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$86,814, \$61,135, and \$71,078, respectively; 90 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001, and 2000. \$8,624, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For 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 Career Center, this amount equaled \$275,034 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001 (the latest

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the Career Center, the amount to fund health care benefits, including the surcharge, equaled \$150,445 during the 2002 fiscal year.

NOTE 14 – RISK MANAGEMENT

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Career Center maintains comprehensive insurance coverage with private carriers for general liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Losses have not exceeded insurance coverage for the last three years and there has been no significant reduction in insurance coverage from last year.

The Career Center is a member of the Huron-Erie School Employees Insurance Association, a public entity risk pool currently operating as a common risk management and health insurance program for 14 member school districts. The Career Center pays a monthly premium to the pool for health, prescription drug, dental, and vision coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$250,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

For fiscal year 2002, the Career Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among area 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 the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of a dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school district and 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.

B. Bay Area Council of Governments

The Bay Area Council of Governments consists of numerous school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through Bay Area are natural gas and insurance. The only cost to the Career Centers is an administrative charge if they purchase something through the Council. The Bay Area Council of Governments consists of the superintendent of each school district. The Board of Directors consists of one elected representative from each county, and the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer).

Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio, 44870.

C. Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Michele Zeedyk, who serves as treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 16 – PUBLIC ENTITY RISK POOLS

A. Workers' Compensation

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

B. Health Benefits

The Huron-Erie School Employees Insurance Association is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Association. All Association revenues are generated from charges for services. Financial information can be obtained by writing to the Erie-Ottawa-Huron County Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NOTE 17 – STATE SCHOOL FUNDING DECISION

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.

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 district that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

NOTE 18 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is party to legal proceedings. The Career Center's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Career Center.

NOTE 19 – STATUTORY RESERVES

The Career Center 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. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside Reserve July 1, 2001	(\$144,270)		\$48,764
Required Set-aside	87,849	87,849	
Qualifying Expenditures	<u>(269,164)</u>	<u>(184,661)</u>	
Set-aside Reserve June 30, 2002	<u>(\$325,585)</u>	<u>(\$96,812)</u>	<u>\$48,764</u>
Reserve Balance Carried Forward to 6/30/03	<u>(\$325,585)</u>		<u>\$48,764</u>
Restricted Equity in Pooled Cash and Cash Equivalents			<u>\$48,764</u>

Senate Bill (S.B.) 345, 123rd General Assembly eliminated the requirement for the Budget Stabilization set-aside. S.B. 345 places special restrictions of the use of Bureau of Workers Compensation (BWC) Rebate money remaining in the Budget Stabilization as of April 10, 2001. \$48,764 represents the BWC portion at June 30, 2002, and is reported as a reservation of fund balance on the accompanying financial statements. The Career Center intention is to use the BWC portion towards an upcoming building expansion program, but no formal action has been taken by the Board to officially designate this reserve for building expansion program.

Although the Career Center has offsets and qualifying disbursements during the year that reduced the set-aside requirements below zero, only the amount for textbooks may be used to reduce the set-aside requirements of future years.

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**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through the Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Governmental Donated Foods Program	N/A	10.550
National School Lunch Program	LL-P4-2001 LL-P4-2002	10.555
Total - National School Lunch Program		
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
Federal Pell Grant Program	N/A	84.063
Subtotal Direct Programs		
<i>Passed Through the Ohio Department of Education</i>		
Vocational Education - Basic Grants to States	VECPH-S01-032 VECPH-A01-032 VESE-ONOW01-12 VECA-02-PD-07 VEPD-02-20 VEAR-02-032 VECPH-S02-032 VECPH-A02-032 VESE-ONOW-04	84.048
Total Vocational Education Basic Grants To States		
Goals 2000 Grant	G2-S6-01P G2-S5-2000	84.276
Total Goals 2000 Grant		
Eisenhower Professional Development Grant	MS-SI-2002	84.281
Total Eisenhower Professional Development Grant		
Innovative Education Program Strategies	C2-SI-01 C2-SI-02	84.298
Total Innovative Education Program Strategies		
Technology Literacy Challenge Fund Grants	N/A	84.318
Total Technology Literacy Challenge Fund Grants		
Comprehensive School Reform Demonstration Grant	RF-S2-01	84.332
Total Comprehensive School Reform Demonstration Grant		
Subtotal Pass-Through Programs		
Total Department of Education		
UNITED STATES DEPARTMENT OF DEFENSE		
Junior Air Force ROTC Program	N/A	12.XXX
Total Department of Defense		
Total Federal Financial Assistance		

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$6,952		\$7,505
\$2,828		\$2,828	
18,685		18,685	
<u>21,513</u>		<u>21,513</u>	
21,513	6,952	21,513	7,505
<u>289,648</u>		<u>289,648</u>	
289,648		289,648	
37,497		11,999	
9,895		487	
1,500		200	
5,000		5,000	
12,500		13,513	
21,775			
146,169		172,287	
59,465		69,882	
8,500		14,370	
<u>302,301</u>		<u>287,738</u>	
		8,339	
		10,167	
		<u>18,506</u>	
2,023		2,023	
<u>2,023</u>		<u>2,023</u>	
		243	
3,671		3,671	
<u>3,671</u>		<u>3,914</u>	
9,000		9,000	
<u>9,000</u>		<u>9,000</u>	
50,000		49,660	
<u>50,000</u>		<u>49,660</u>	
<u>366,995</u>		<u>370,841</u>	
<u>656,643</u>		<u>660,489</u>	
55		55	
<u>55</u>		<u>55</u>	
<u>\$678,211</u>	<u>\$6,952</u>	<u>\$682,057</u>	<u>\$7,505</u>

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and local funds. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the Career Center contribute non-federal funds (matching funds) to support the federally-funded programs. The Career Center has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

EHOVE Career Center
Erie County
316 Mason Road West
Milan, Ohio 44846-9771

To the Board of Education:

We have audited the financial statements of the EHOVE Career Center (the Career Center) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 3, 2002, in which we noted the Career Center changed its policy for capitalizing certain fixed assets that are reported in the General Fixed Asset Account Group. 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 Career Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Career Center in a separate letter date December 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Career Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Career Center in a separate letter dated December 3, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 3, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

EHOVE Career Center
Erie County
316 Mason Road West
Milan, Ohio 44846-9771

To the Board of Education:

We have audited the compliance of EHOVE Career Center (the Career Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The Career Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Career Center's management. Our responsibility is to express an opinion on the Career Center'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 Career Center'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 Career Center's compliance with those requirements.

In our opinion, the Career Center 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, 2002.

Internal Control Over Compliance

The management of the Career Center 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 Career Center'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. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Career Center in a separate letter dated December 3, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 3, 2002

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
JUNE 30, 2002**

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 States CFDA #84.048
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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OFFICE OF THE AUDITOR

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EHOVE CAREER CENTER

ERIE 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 2, 2003**