



**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Lorain County Joint Vocational School District
Lorain County
15181 State Route 58
Oberlin, Ohio 44074

We have audited the accompanying general-purpose financial statements of the Lorain County Joint Vocational School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 Lorain County Joint Vocational School District, Lorain County, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in notes 2 and 3 to the financial statements, the District changed its policy regarding fixed asset capitalization during fiscal year 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 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.

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. In our opinion, it 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".

Jim Petro
Auditor of State

December 20, 2002

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Lorain County Joint Vocational School District

Lorain County

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Cash and Cash Equivalents	\$6,639,707	\$99,204	\$8,474
Receivables:			
Taxes	8,294,938	0	0
Accounts	0	0	0
Accrued Interest	94,925	0	0
Intergovernmental	0	80,821	0
Interfund	167,986	0	0
Inventory	15,197	0	0
Fixed Assets	0	0	0
Other Debits:			
Amount To Be Provided - Capital Leases	0	0	0
Amount To Be Provided - Benefits	0	0	0
Total Assets	\$15,212,753	\$180,025	\$8,474
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts and Contracts Payable	\$133,861	\$6,960	\$0
Accrued Wages and Benefits	1,617,730	15,645	0
Intergovernmental Payable	59,487	3,982	0
Compensated Absences Payable	0	0	0
Deferred Revenue	7,243,407	0	0
Due to Students	0	0	0
Capital Leases Payable	0	0	0
Interfund Payable	0	167,986	0
Total Liabilities	9,054,485	194,573	0
Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Unreserved Retained Earnings	0	0	0
Fund Balance (Deficit):			
Reserved for Encumbrances	564,755	4,121	0
Reserved for Inventory	15,197	0	0
Reserved for Property Tax Advance	1,132,182	0	0
Unreserved, Undesignated	4,446,134	(18,669)	8,474
Total Fund Equity (Deficit)	6,158,268	(14,548)	8,474
Total Liabilities, Equity and Other Credits	\$15,212,753	\$180,025	\$8,474

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$859,107	\$30,030	\$0	\$0	\$7,636,522
0	0	0	0	8,294,938
154,370	0	0	0	154,370
0	0	0	0	94,925
50,000	0	0	0	130,821
0	0	0	0	167,986
70,869	0	0	0	86,066
0	0	20,730,139	0	20,730,139
0	0	0	26,810	26,810
0	0	0	1,390,154	1,390,154
<u>\$1,134,346</u>	<u>\$30,030</u>	<u>\$20,730,139</u>	<u>\$1,416,964</u>	<u>\$38,712,731</u>
\$48,165	\$0	\$0	\$0	\$188,986
158,395	0	0	0	1,791,770
26,636	0	0	6,821	96,926
137,513	0	0	1,383,333	1,520,846
0	0	0	0	7,243,407
0	27,410	0	0	27,410
0	0	0	26,810	26,810
0	0	0	0	167,986
<u>370,709</u>	<u>27,410</u>	<u>0</u>	<u>1,416,964</u>	<u>11,064,141</u>
0	0	20,730,139	0	20,730,139
763,637	0	0	0	763,637
0	0	0	0	568,876
0	0	0	0	15,197
0	0	0	0	1,132,182
0	2,620	0	0	4,438,559
<u>763,637</u>	<u>2,620</u>	<u>20,730,139</u>	<u>0</u>	<u>27,648,590</u>
<u>\$1,134,346</u>	<u>\$30,030</u>	<u>\$20,730,139</u>	<u>\$1,416,964</u>	<u>\$38,712,731</u>

Lorain County Joint Vocational School District

Lorain County

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances

All Governmental Fund Types and Expendable Trust Fund

For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Taxes	\$8,055,644	\$0	\$0	\$0	\$8,055,644
Earnings on Investments	268,859	0	0	0	268,859
Classroom Materials and Fees	15,354	0	0	0	15,354
Intergovernmental	6,516,800	904,626	9,527	0	7,430,953
Other	78,868	5,000	0	10,479	94,347
Total Revenues	14,935,525	909,626	9,527	10,479	15,865,157
Expenditures:					
Current:					
Instruction:					
Regular	1,053,870	0	0	0	1,053,870
Vocational	6,868,414	161,701	0	0	7,030,115
Adult Education	0	127,001	0	0	127,001
Support Services:					
Pupil Services	564,058	412,218	0	0	976,276
Instructional Staff	884,443	52,472	4,053	0	940,968
Board and Administration	887,839	26,729	0	0	914,568
Fiscal and Business	616,622	7,521	0	522	624,665
Plant Operation and Maintenance	1,884,930	0	0	0	1,884,930
Pupil Transportation	37,120	500	0	0	37,620
Central	146,522	111,491	0	0	258,013
Non-Instructional Services	16,295	0	0	10,000	26,295
Extracurricular	198,190	0	0	0	198,190
Capital Outlay	965,774	0	0	0	965,774
Total Expenditures	14,124,077	899,633	4,053	10,522	15,038,285
Excess Revenues Over (Under) Expenditures	811,448	9,993	5,474	(43)	826,872
Other Financing Sources (Uses):					
Operating Transfers In	0	20,000	0	0	20,000
Operating Transfers Out	(45,000)	0	0	0	(45,000)
Other Uses	(50,000)	0	0	0	(50,000)
Total Other Financing Sources (Uses)	(95,000)	20,000	0	0	(75,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	716,448	29,993	5,474	(43)	751,872
Fund Balances (Deficit)					
Beginning of Year - Restated (See Note 3)	5,486,980	(44,541)	3,000	2,663	5,448,102
Increase (Decrease) in Inventory	(45,160)	0	0	0	(45,160)
Fund Balances (Deficit) End of Year	\$6,158,268	(\$14,548)	\$8,474	\$2,620	\$6,154,814

The accompanying notes are an integral part of these financial statements.

Lorain County Joint Vocational School District

Lorain County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)

All Governmental Fund Types

General Fund

For the Fiscal Year Ended June 30, 2002

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Taxes	\$8,290,000	\$8,312,866		\$8,312,866	\$22,866
Earnings on Investments	250,000	262,715		262,715	12,715
Intergovernmental	6,362,000	6,516,800		6,516,800	154,800
Classroom Materials and Fees	10,000	9,273		9,273	(727)
Other	63,373	63,947		63,947	574
Total Revenues	\$14,975,373	\$15,165,601		15,165,601	190,228
Expenditures					
Current:					
Instruction:					
Regular	1,089,907	1,038,666	\$10,186	1,048,852	41,055
Vocational	7,956,416	6,871,931	340,231	7,212,162	744,254
Supporting Services:					
Pupil Services	729,594	544,031	6,920	550,951	178,643
Instructional Staff	899,619	846,317	2,028	848,345	51,274
Board and Administration	1,049,583	873,145	36,596	909,741	139,842
Fiscal and Business	710,021	607,464	52,112	659,576	50,445
Plant Operation and Maintenance	2,284,090	1,860,844	126,277	1,987,121	296,969
Pupil Transportation	61,829	37,120	8,911	46,031	15,798
Central	186,606	156,194	25,236	181,430	5,176
Non-Instructional Services	23,208	16,295	1,485	17,780	5,428
Extracurricular	173,851	169,864	3,332	173,196	655
Capital Outlay	2,143,993	1,060,542	85,302	1,145,844	998,149
Total Expenditures	17,308,717	14,082,413	698,616	14,781,029	2,527,688
Excess of Revenues Over (Under) Expenditures	(2,333,344)	1,083,188	(698,616)	384,572	2,717,916
Other Financing Sources (Uses)					
Advances In	110,000	110,204	0	110,204	204
Advances Out	(80,400)	(159,905)	0	(159,905)	(79,505)
Transfers Out	(170,000)	(45,000)	0	(45,000)	125,000
Other Uses	(50,000)	(50,000)	0	(50,000)	0
Total Other Financing Sources	(190,400)	(144,701)	0	(144,701)	45,699
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,523,744)	938,487	<u>(\$698,616)</u>	<u>\$239,871</u>	<u>\$2,763,615</u>
Fund Balance Beginning of Year	5,690,366	5,690,366			
Fund Balance End of Year	\$3,166,622	\$6,628,853			

The accompanying notes are an integral part of these financial statements.

Lorain County Joint Vocational School District

Lorain County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)

All Governmental Fund Types

Special Revenue Funds

For the Fiscal Year Ended June 30, 2002

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Intergovernmental	\$1,004,339	\$850,805		\$850,805	(\$153,534)
Other	5,000	5,000		5,000	0
Total Revenues	1,009,339	855,805		855,805	(153,534)
Expenditures					
Current:					
Instruction:					
Vocational	164,622	162,143	\$2,394	164,537	85
Adult Education	141,276	115,663	8,687	124,350	16,926
Supporting Services:					
Pupil Services	450,650	433,709	0	433,709	16,941
Instructional Staff	55,800	52,472	0	52,472	3,328
Board and Administration	38,591	26,729	0	26,729	11,862
Fiscal and Business	9,897	7,521	0	7,521	2,376
Central	112,101	111,991	0	111,991	110
Total Expenditures	972,937	910,228	11,081	921,309	51,628
Excess of Revenues (Under) Expenditures	36,402	(54,423)	(11,081)	(65,504)	(101,906)
Other Financing Sources (Uses)					
Advances In	2,921	159,905	0	159,905	156,984
Advances Out	(110,204)	(110,204)	0	(110,204)	0
Transfers In	20,000	20,000	0	20,000	0
Total Other Financing (Uses)	(87,283)	69,701	0	69,701	156,984
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(50,881)	15,278	<u>(\$11,081)</u>	<u>\$4,197</u>	<u>\$55,078</u>
Fund Balances Beginning of Year	83,926	83,926			
Fund Balances End of Year	<u>\$33,045</u>	<u>\$99,204</u>			

The accompanying notes are an integral part of these financial statements.

Lorain County Joint Vocational School District

Lorain County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)

All Governmental Fund Types

Capital Projects Fund

For the Fiscal Year Ended June 30, 2002

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Intergovernmental	<u>\$9,527</u>	<u>\$9,527</u>		<u>\$9,527</u>	<u>\$0</u>
Total Revenues	<u>\$9,527</u>	<u>\$9,527</u>		<u>9,527</u>	<u>0</u>
Expenditures					
Current:					
Supporting Services:					
Instructional Staff	<u>4,053</u>	<u>4,053</u>	<u>\$0</u>	<u>4,053</u>	<u>0</u>
Total Expenditures	<u>4,053</u>	<u>4,053</u>	<u>0</u>	<u>4,053</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	5,474	5,474	<u><u>\$0</u></u>	<u><u>\$5,474</u></u>	<u><u>\$0</u></u>
Fund Balance Beginning of Year	<u>3,000</u>	<u>3,000</u>			
Fund Balance End of Year	<u><u>\$8,474</u></u>	<u><u>\$8,474</u></u>			

The accompanying notes are an integral part of these financial statements.

Lorain County Joint Vocational School District

Lorain County

Combined Statement of Revenues, Expenses
and Changes in Retained Earnings

Proprietary Fund Type

For the Year Ended June 30, 2002

	<u>Enterprise</u>
Operating Revenues:	
Sales	\$354,002
Classroom Materials and Fees	<u>1,338,589</u>
Total Operating Revenues	1,692,591
Operating Expenses:	
Salaries and Wages	1,179,564
Employees' Retirement and Insurance	368,146
Purchased Services	356,204
Supplies and Materials	<u>470,270</u>
Total Operating Expenses	<u>2,374,184</u>
Operating (Loss)	(681,593)
Non-Operating Revenues:	
Intergovernmental	<u>565,881</u>
Total Non-Operating Revenues	<u>565,881</u>
(Loss) Before Operating Transfers	(115,712)
Operating Transfers:	
Operating Transfers In	<u>25,000</u>
Total Operating Transfers	25,000
Net (Loss)	<u>(90,712)</u>
Retained Earnings Beginning of Year	<u>854,349</u>
Retained Earnings End of Year	<u><u>\$763,637</u></u>

The accompanying notes are an integral part of these financial statements.

Lorain County Joint Vocational School District

Lorain County

Combined Statement of Cash Flows

Proprietary Fund Type

For the Year Ended June 30, 2002

	<u>Enterprise</u>
Cash Flows From Operating Activities:	
Operating (Loss)	(\$681,593)
Adjustments To Reconcile Net	
(Loss) To Net Cash Used in	
Operating Activities:	
(Increase) Decrease In Assets:	
Accounts Receivable	(9,225)
Intergovernmental Receivable	(34,167)
Inventories	(15,473)
Increase (Decrease) In Liabilities:	
Accounts and Contacts Payable	21,449
Accrued Wages and Benefits Payable	23,396
Intergovernmental Payable	(236)
Compensated Absences Payable	<u>24,788</u>
Total Adjustments	<u>10,532</u>
Net Cash Used In	
Operating Activities	(671,061)
Cash Flows From Non-Capital	
Financing Activities:	
Transfers In	25,000
Intergovernmental Revenue	<u>565,881</u>
Net Cash Provided by	
Non-Capital Financing Activities	590,881
Net Increase (decrease) in Cash	
and Cash Equivalents	(80,180)
Cash and Cash Equivalents,	
Beginning of Year	<u>939,287</u>
Cash and Cash Equivalents,	
End of Year	<u><u>\$859,107</u></u>

The accompanying notes are an integral part of these financial statements.

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Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 1: Nature of Basic Operations and Description of Entity

Reporting Entity: The Lorain County Joint Vocational School District (the District) is a school district corporation governed by an elected Board of Education. As required by accounting principles generally accepted in the United States of America, these financial statements present all funds and account groups of the primary government. The primary government consists of all funds, departments, boards, organizations, and agencies that are not legally separate for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District 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 District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units.

The District is involved with Lake Erie Educational Computer Association (LEECA), Lake Erie Regional Council (LERC), and Ohio Schools Council, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 7.

Management believes the general purpose financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operation control.

Note 2: Summary of Significant Accounting Policies

A. Measurement Focus, Basis of Accounting and Basis of Presentation:

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function, object level for the general fund, the fund type level for the special revenue fund type, and fund level for all other funds. Budgetary modifications may only be made by resolution of the Board of Education. Budgetary statements are not presented for proprietary, trust, and agency funds.

Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 2: Summary of Significant Accounting Policies - continued

The District has the following fund types and account groups:

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available, except for what is on hand with the county treasurer on the last day of the fiscal year which is recognized in the current period. 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. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which are levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported 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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the government funds. Governmental funds include the following fund types:

The general fund is the District's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The capital projects fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 2: Summary of Significant Accounting Policies - continued

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

The enterprise funds are the District's only proprietary funds.

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary fund types are as follows:

The expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting, where both principal and interest may be expended.

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Account groups: The general fixed assets account group is used to account for fixed assets not accounted for in the proprietary fund. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of the proprietary fund.

B. Cash and Cash Equivalents:

Cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records.

Each fund's interest in the pool is presented as "cash and cash equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to Discount Notes, Certificates of Deposit, STAROhio, and money market accounts. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earning.

Investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 2: Summary of Significant Accounting Policies – continued

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002. Interest revenue credited to the general fund during fiscal year 2002 was \$268,859; none was assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation of 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 District are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

C. Receivables:

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

D. Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

E. Interfund Assets and Liabilities:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

Amounts owed to a particular fund by another fund in the District for goods or services rendered are classified as "due from other funds" and "due to other funds."

F. Inventory:

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

G. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed; and are not depreciated. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Infrastructure will be reported when the District adopts GASBS No. 34.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds.

Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 2: Summary of Significant Accounting Policies - continued

However, the District currently has no proprietary fixed assets. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable are – 5 to 20 years.

The capitalization threshold for financial reporting purposes is \$3,500. In June of 2002, the District completed a reappraisal of all fixed assets and, therefore, sound and insurable values are now current.

H. Accrued Liabilities and Long-Term Obligations:

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits 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. Capital leases are reported as a liability of the general long-term obligations account group until due.

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

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Accounting principles generally accepted in the United States of America requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund would be split among the appropriate funds. Debt service fund resources used to pay both principal and interest also would be allocated accordingly, however, the District has no debt.

I. Interfund Transactions:

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

J. Compensated Absences:

Compensated absences are reported in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as a termination benefit.

For governmental funds, vacation and sick leave benefits expected to be paid with expendable available resources are recorded as fund liabilities. The remainder is reported in the general long-term debt account group. In proprietary funds, vacation and sick leave benefits expected to eventually be paid are reported as fund liabilities.

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 2: Summary of Significant Accounting Policies - continued

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Administrators and non-certificated employees earn ten to twenty-five days vacation annually depending on length of service. Accumulated unpaid vacation is paid to employees upon termination of employment. Certificated employees do not earn vacation.

Employees earn sick leave at the rate of one and one-fourth days per month and may accumulate up to 300 days for administrators and 250 days for all others. Upon retirement, employees receive a portion of their total sick leave accumulation.

K. Fund Balance Reserves:

The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriation for expenditures. 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 and property taxes. The reserve for property taxes represents accrued tax revenue not available for appropriation according to Ohio law.

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Total</u>
Balance, 7/1/2001	\$ 0	\$ 0	\$ 0
Required Set-Aside	140,236	140,236	280,472
Offset Credits	0	0	0
Qualifying Expenditures	<u>(443,778)</u>	<u>(706,075)</u>	<u>(1,149,853)</u>
Total	<u>(303,542)</u>	<u>(565,839)</u>	<u>(869,381)</u>
Carry Forward, 6/30/2002	\$ <u>(303,542)</u>	\$ <u>0</u>	\$ <u>(303,542)</u>

Expenditures for capital activity during the year were \$706,075, which exceeded the required set-aside, however, excess expenditures cannot be carried forward to future periods.

L. 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. Grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

M. Total Columns on General Purpose Financial Statements:

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data.

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 2: Summary of Significant Accounting Policies - continued

N. New Accounting Pronouncements:

In June of 1999 GASBS No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, was issued. GASBS No. 34 establishes financial reporting standards for state and local governments and is effective, in three phases based on a government's total annual revenues, beginning with periods beginning after June 15, 2001 and continuing through periods beginning after June 15, 2003. Management is currently evaluating the overall presentation required by GASBS No. 34 and believes the effect will be material.

O. Fixed Assets Change in Capitalization Threshold

During fiscal year 2002, in an anticipation of the mandated changes related to the new reporting model (GASBS No. 34), the financial reporting capitalization threshold for fixed assets was increased from \$500 to \$3,500. The textbooks category was eliminated, for financial reporting, since they no longer meet the capitalization criteria. As a result, the District has recorded less capitalized assets (See Note 9 for cumulative effect), for financial reporting purposes, in the general fixed asset account group for the year ended June 30, 2002.

Note 3: Restatement of Fund Equity

It was determined a 1999 fiscal year advance from general fund to the applied academic grant special revenue fund was properly repaid in fiscal year ended June 30, 2000. As a result, we have reduced the general fund interfund receivable and decreased the special revenue fund type interfund payable in the amount of \$37,500 each. The general fund opening balance was decreased by \$37,500, and the special revenue fund type opening fund balance was increased by \$37,500.

General fixed asset account group furniture, fixtures, and equipment and textbook categories were overstated by \$3,914,460 and \$265,728, respectively, as determined by a restatement resulting from increasing the capitalization threshold from \$500 to \$3,500. Therefore, we have reduced the beginning balance to 3,914,460 for furniture, fixtures, and equipment, down from \$8,859,831, and the beginning balance for textbooks to \$0, down from \$265,728. (See Note 9.)

Note 4: Budgetary Basis of Accounting

The Board of Education is required, by Ohio Revised Code, to adopt an annual budget in accordance with the following:

Tax Budget: A budget of estimated cash receipts and disbursements is adopted prior to January 15 by the board. 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 ensuing July 1 to June 30 fiscal year.

Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 4: Budgetary Basis of Accounting - continued

Estimated Resources: The County Budget Commission certifies its actions to the District. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to fiscal year end, the District must revise its budget so that the total contemplated expenditures from a fund during the year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) – All Governmental Fund Types", do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the budgetary statements reflect the final budget figures.

Appropriations: Appropriations may be defined as expenditure authorization and are synonymous with budget within the Budget and Actual presentations. A temporary appropriation measure to control the cash disbursements may be passed prior to passage of the annual appropriation measure. An annual appropriation measure must be passed for the current fiscal year by October 1 of each budget year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Management has Board of Education approval to amend or supplement appropriations so long as appropriations do not exceed available resources at the fund level. Several amendments and supplements were enacted during the fiscal year. The amounts reported in the budgetary statements reflect final amended appropriations. Appropriations may not exceed estimated resources and expenditures plus encumbrances may not exceed appropriations at the fund, function, object level for the general fund, the fund type level for the special revenue fund type, and the fund level for all other funds.

Lapsing of Appropriation: At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds 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.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the accounting principles generally accepted in the United States of America (GAAP) basis, encumbrances outstanding at year end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

Budgetary Basis of Accounting: Although reporting financial position, results of operations, and changes in fund balances on the GAAP basis, the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and GAAP basis are that:

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 4: Budgetary Basis of Accounting - continued

- 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) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures for all funds (budget basis) rather than a reservation of fund balance 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
Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$ 716,448	\$ 29,993	\$ 5,474
Net Adjustments for Revenue Accruals	340,280	106,084	0
Net Adjustments for Expenditure Accruals	(118,241)	(120,799)	0
Net Adjustments for Encumbrances	<u>(698,616)</u>	<u>(11,081)</u>	<u>0</u>
Budget Basis	<u>\$ 239,871</u>	<u>\$ 4,197</u>	<u>\$ 5,474</u>

Note 5: Accountability and Compliance

A. Fund Deficits:

At June 30, 2002, the Eisenhower Professional Development Grant and the Vocational Education Grant special revenue funds had a deficit fund balances of \$(310) and \$(95,333) respectively. These deficits were caused by the application of accounting procedures generally accepted in the United States of America. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Budgetary Compliance:

Contrary to Ohio Revised Code Section 5705.39, the Text Book Sales Fund had appropriations in excess of estimated resources at April 30, 2002.

Contrary to Ohio Revised Code Sections 5705.41 (B) & (D), at November 30, 2001, the following funds had expenditures plus encumbrances exceeding appropriations at the legal level of budgetary control:

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 5: Accountability and Compliance - continued

Fund/Function/Object	Appropriations	Expenditures Plus Encumbrances	Variance
General Fund:			
Instructional – Support Staff			
Replacement Equipment	\$ 2,000	\$ 5,940	\$ (3,940)
Fiscal Services			
Purchased Services	7,708	10,270	(2,562)
Pupil Transportation			
Purchased Services	18,000	19,879	(1,879)
Materials and Supplies	17,129	19,945	(2,816)
Central Services			
Salaries	0	3,718	(3,718)
Employee Contribution Plan Fund	0	13,910	(13,910)
Uniform School Supply Fund	65,547	84,820	(19,273)

The following funds had expenditures plus encumbrances exceeding the legal level of appropriation at April 30, 2002:

General Fund:			
Fiscal Services			
Materials and Supplies	\$ 5,800	9,660	(3,860)
Operations and Maintenance			
Other	9,445	10,638	(1,193)
General Enterprise Operation			
Materials and Supplies	0	3,199	(3,199)
Employee Contribution Plan Fund	0	13,910	(13,910)

Note 6: Deposits and Investments

Legal Requirements: Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of monies held by the 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 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 are not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 6: Deposits and Investments - continued

Inactive monies are permitted to 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuance's of federal government agencies or instrumentality's;
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);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

The District may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons.
3. Obligations of the District.

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 District and must be purchased with the expectation that it will be held to maturity.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 within the institution.

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 6: Deposits and Investments - continued

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

Deposits: At year end, the carrying amount of the District's deposits was \$6,362,426 and the bank balance was \$6,444,436. Of the bank balance, \$204,058 was covered by federal depository insurance and \$6,240,378 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which securities are held by the financial institution's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which securities are held by the financial institution by its trust department but not in the District's name. The carrying value of deposits and investments are presented in the combined balance sheet as equity in pooled cash and cash equivalents. STAROhio and the money market account are unclassified investments. They are not evidenced by securities that exist in physical or book entry form.

	<u>Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments in State Treasurer's Investment Pool	0	0	0	779,682	779,682
Discount Note	<u>0</u>	<u>488,333</u>	<u>0</u>	<u>488,333</u>	<u>494,414</u>
TOTAL INVESTMENTS	\$ <u>0</u>	\$ <u>488,333</u>	\$ <u>0</u>	\$ <u>1,268,015</u>	\$ <u>1,274,096</u>

Note 7: Jointly Governed Organizations

A. Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance.

The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. 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 the Treasurer at the Educational Service Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio. During fiscal year 2002, the District contributed \$1,091,604 for services provided by LERC.

Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 7: Jointly Governed Organizations - continued

B. Lake Erie Education Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty 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 for member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County which serves as fiscal agent at 1885 Lake Avenue, Elyria, Ohio. During fiscal year 2002, the District contributed \$6,819 for services provided by LEECA.

C. Ohio Schools Council

The Ohio Schools Council is a jointly governed organization among ninety one school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provided operating resources to Ohio Schools Council on a per pupil or actual usage charge except for insurance.

The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. Ohio Schools Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting Albert G. Vasek, Executive Secretary/Treasurer, at the Ohio Schools Council located at 6133 Rockside Road, Suite 10, Independence, Ohio 44131. During the year ended June 30, 2002, the District paid approximately \$239,765 to Ohio Schools Council.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 8: Interfund Receivables and Payables

Individual fund interfund receivable and payable balances as of June 30, 2002 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 167,986	\$ 0
Special Revenue Funds:		
Ad Full Service	0	3,000
A.B.L.E.	0	45,099
Title III Eisenhower Fund	0	320
Vocational Education Grant	0	117,228
Title VI	<u>0</u>	<u>2,339</u>
TOTAL	<u>\$ 167,986</u>	<u>\$ 167,986</u>

Note 9: Fixed Assets

A summary of changes in general fixed asset account group is as follows:

	<u>Balance 6/30/01</u>	<u>Cumulative Effect of Change in Accounting Policy</u>	<u>Restated Balance 7/1/01</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/02</u>
Land	\$ 138,000	\$ 0	\$ 138,000	\$ 0	\$ 0	\$ 138,000
Building and Improvements	16,166,552	0	16,166,552	0	0	16,166,552
Furniture, Fixtures and Equipment	8,859,831	(4,945,371)	3,914,460	133,526	0	4,047,986
Vehicles	430,696	0	430,696	0	(53,095)	377,601
Textbooks	<u>265,728</u>	<u>(265,728)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 25,860,807</u>	<u>\$ (5,211,099)</u>	<u>\$ 20,649,708</u>	<u>\$ 133,526</u>	<u>\$ (53,095)</u>	<u>\$ 20,730,139</u>

There was no significant construction in progress at fiscal year ended June 30, 2002.

Note 10: Leases – Lessee Disclosure

Capital Leases: The District leases printing systems and a photocopier. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments as of the inception dates in the general fixed assets account group and the general long-term debt account group in the amount of \$130,606.

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 10: Leases – Lessee Disclosure - continued

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2002, were as follows:

Year Ending June 30,	General Long-Term Debt
2003	\$ 24,100
2004	4,345
2005	<u>1,448</u>
Total minimum lease payments	29,893
Less amount representing interest	<u>(3,083)</u>
Present value of minimum lease payments	\$ <u>26,810</u>

There were no significant operating leases at fiscal year ended June 30, 2002.

Note 11: Long-Term Obligations

Changes in general long-term obligations are as follows:

	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002
Capital Leases	\$ 55,983	\$ 0	\$ (29,173)	\$ 26,810
Compensated Absences	986,262	397,071	0	1,383,333
Intergovernmental	<u>0</u>	<u>6,821</u>	<u>0</u>	<u>6,821</u>
TOTAL	\$ <u>1,042,245</u>	\$ <u>403,892</u>	\$ <u>(29,173)</u>	\$ <u>1,416,964</u>

Note 12: Property Taxes

Property taxes include amounts levied annually, on all real and public utility property and business tangible personal property which is located within the District. The Lorain County Auditor is responsible for assessing and remitting these property taxes to the District. The Lorain County Treasurer is responsible for collecting property taxes.

Real property taxes collected were based on assessed value equal to thirty-five percent (35%) of appraised value. The Lorain County Auditor reappraises real property every six years with a triennial update, the last update was completed for 2001. Real property taxes are levied on assessed valuations as of December 31, which is the lien date. Real property taxes, billed one year in arrears, are payable annually or semi-annually. The first payment is due January 20, and the remainder is payable by June 20.

Tangible personal property taxes collected were based on assessed values that represent varying percentages of cost. Tangible personal property taxes are levied on January 1, which is the lien date, of the current year and are due by April 30.

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 12: Property Taxes - continued

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent (88%) of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2002, are available to finance fiscal year 2002 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 \$1,132,182 and is recognized as revenue.

Since Lorain County assesses and levies property taxes on a calendar basis, the District receives property taxes from two (2) taxing years during the District's fiscal year.

The assessed values of real and tangible personal property, upon which property tax receipts for the Fiscal Year Ended June 30, 2002 were based, are as follows:

	<u>Assessed Values</u>	
	<u>Second Half 2001</u>	<u>First Half 2002</u>
Real Property:		
Residential/Agricultural	\$ 2,979,755,780	\$ 3,070,565,200
Commercial/Industrial	648,795,650	674,573,760
Public Utilities	2,415,570	2,227,910
Minerals	79,100	73,150
Tangible Personal Property:		
General	423,640,660	435,356,600
Public Utilities	<u>294,204,960</u>	<u>231,667,580</u>
TOTAL ASSESSED VALUATION	<u>\$ 4,348,891,720</u>	<u>\$ 4,414,464,200</u>

The full tax rate for all School District operations applied to real property for the fiscal year ended June 30, 2002 was \$2.45 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$2.00 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$2.04 per \$1,000 of assessed valuation for all industrial/commercial property.

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 13: Defined Benefit Pension Plans

A. State Teachers Retirement System

The District 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 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$1,163,290, \$1,047,597 and \$935,872, respectively; 86% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$163,612 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and general long-term obligation account group.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (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, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$237,958, \$214,887, and \$180,005, respectively; 86% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$33,511, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 14: Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the 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% of covered payroll. Through June 30, 2002, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$52,348 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 most current information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more 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 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 this fiscal year, employer contributions to fund health care benefits were 9.80% of covered payroll, an increase from 8.45% for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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 was established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2001 (the most current information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$176,714 during the 2001 fiscal year.

Note 15: Risk Management

The District 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a reduction in coverage from the prior year.

The District has a comprehensive property and casualty policy with the Nationwide Insurance Company which includes boiler coverage. This policy also provides insurance for all lease agreements. The deductible is \$5,000 per incident. All vehicles are insured with Nationwide Insurance Company and have a \$250 deductible. All Board Members, Administrators and employees are covered under a school district liability policy with Nationwide Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 aggregate.

Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002

Note 15: Risk Management - continued

The Board President and the Superintendent are covered with surety bonds for \$20,000. The Treasurer also is covered by a surety bond in the amount of \$50,000. These bonds are with Nationwide Insurance Company.

Remaining employees who handle money, are covered with a public employees blanket bond in the amount of \$15,000. This coverage is also provided by the Ohio Farmers Insurance Company.

The District provides life insurance and accidental death and dismemberment insurance to its employees based on years of service.

The School District has contracted with Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. The program is a claims-servicing pool comprised of fourteen Lorain County School Districts. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for participating school districts. Claims are paid for all participants regardless of claims flow or individual account balance. Upon termination, the terminating school district would be liable for all outstanding claims beyond their individual account balance. The LERC Board of Directors has the right to return monies to an existing school district subsequent to settlement of all expenses and claims. This plan provides a medical/surgical and vision plan with deductibles of \$100 for single and \$200 for family coverage. Deductibles for the dental plan are \$50 for single and \$100 for family coverage.

The LERC's pool premiums are billed to each participating school district based on actuarially-determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. 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 16: Contingencies

A. Grants

The District receives financial assistance from numerous federal and state agencies which is subjected to financial and compliance audits in accordance with the 1996 amendments to the Single Audit Act. Such audits could lead to a request for reimbursement to the grantor agency for disallowed expenditures. Management believes that any such disallowed amounts, if any, would not materially affect the District's financial position.

B. Litigation

The District is not party to any claims or lawsuits that would have a material effect on the general purpose financial statements.

**Lorain County Joint Vocational School District
Lorain County
Notes to General Purpose Financial Statements
Year Ended June 30, 2002**

Note 17: Segment Information for Enterprise Funds

The District maintains the following Enterprise Funds:

Uniform School Supplies Fund: Established to account for the purchase and sale of school supplies that are ultimately purchased by students.

Rotary Fund: Established to account for income and expenses of Vocational Education operations in which goods and/or services are sold to the public.

Adult Education Fund: Established to account for income and expenses of Adult Education operations.

NASA Fund: Established to account for the purchase and sale of NASA educational materials.

Segment information for Enterprise Funds is as follows:

	<u>Uniform School Supplies</u>	<u>Rotary</u>	<u>Adult Education</u>	<u>NASA</u>	<u>Total</u>
Operating Revenues	\$ 85,713	\$ 270,863	\$ 1,252,876	\$ 83,139	\$ 1,692,591
Operating Expenses	77,399	282,851	1,699,209	314,725	2,374,184
Operating Income (Loss)	8,314	(11,988)	(446,333)	(231,586)	(681,593)
Operating Grants	0	0	325,881	240,000	565,881
Operating Transfers In	0	0	25,000	0	25,000
Net Income (Loss)	8,314	(11,988)	(95,452)	8,414	(90,712)
Net Working Capital	20,997	77,780	364,805	437,568	901,150
Total Assets	20,997	79,812	548,751	484,786	1,134,346
Total Equity	20,997	77,780	245,454	419,406	763,637
Encumbrances at June 30, 2002	\$ 2,314	\$ 17,680	\$ 52,590	\$ 56,116	\$ 128,700

Note 18: State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have in its future State funding and its financial operations.

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2002**

Federal Grantor/ Pass-Through Grantor, and Program Title	Federal CFDA Number	Grant Number	Federal Receipts	Federal Expenditure
United States Department of Education - Direct Award:				
Pell Grants	84.063	N/A	\$118,039	\$118,039
United States Department of Education - Passed-Through State Department of Education				
Adult Basic Education	84.002	AB-S1-01	38,961	38,961
		AB-S1-02	<u>52,780</u>	<u>52,780</u>
Subtotal			91,741	91,741
Vocational Ed Basic Grant:				
Perkin's Secondary	84.048	CPIII-S01	74,466	22,654
Adult Education - Perkin's		CPIII-S01	10,009	0
Adult Education Grant		CPIII-A01	2,000	0
Perkin's Secondary		CPIII-S02	368,255	465,636
Adult Education - Perkin's		CPIII-A02	68,409	68,705
Exemplary/Promising		VENOL-2002-16	<u>10,000</u>	<u>7,606</u>
Subtotal			533,139	564,601
Eisenhower Professional Development	84.281	MS-S1-01	10	0
		MS-S1-02	<u>2,884</u>	<u>3,204</u>
Subtotal			2,894	3,204
Innovative Education Program Strategy - Title VI	84.298	C2-S1-01	780	397
		C2-S1-02	<u>3,209</u>	<u>5,548</u>
Subtotal			3,989	5,945
Subtotal Passed-Through State Department of Education			<u>631,763</u>	<u>665,491</u>
Total U S Department of Education			<u>749,802</u>	<u>783,530</u>
United States Aeronautics and Space Administration Cooperative Grant - Direct Award:				
NASA Grant	N/A	NCC5-554	<u>205,833</u>	<u>205,833</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$955,635</u></u>	<u><u>\$989,363</u></u>

The accompanying notes are an integral part of the financial statements.

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY**

JUNE 30, 2002

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) summarizes the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Lorain County Joint Vocational School District
Lorain County
15181 State Route 58
Oberlin, Ohio 44074

We have audited the financial statements of the Lorain County Joint Vocational School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002, wherein we noted the District changed its policy regarding fixed asset capitalization. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10847-001 and 2002-10847-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2002.

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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 20, 2002.

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

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

Jim Petro
Auditor of State

December 20, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Lorain County Joint Vocational School District
Lorain County
15181 State Route 58
Oberlin, Ohio 44074

Compliance

We have audited the compliance of the Lorain County Joint Vocational School District, Lorain County, Ohio, (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 its major federal program for the year ended June 30, 2002. 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 its major federal program 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, 2002.

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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 20, 2002

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY
JUNE 30, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505

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

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
Continued**

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

FINDING NUMBER 2002-10847-001

Ohio Rev. Code Sections 5705.41(B) & (D) prohibits a subdivision or taxing unit from making an expenditure or an expenditure plus encumbrance unless it has been properly appropriated. The following funds had expenditures plus encumbrances exceeding the legal level of appropriation at November 30, 2001:

Fund/Function/Object	Appropriations	Expenditures Plus Encumbrances	Variance
General Fund:			
Instructional – Support Staff			
Replacement Equipment	\$ 2,000	\$ 5,940	\$ (3,940)
Fiscal Services			
Purchased Services	7,708	10,270	(2,562)
Pupil Transportation			
Purchased Services	18,000	19,879	(1,879)
Materials and Supplies	17,129	19,945	(2,816)
Central Services			
Salaries	0	3,718	(3,718)
Employee Contribution Plan Fund	0	13,910	(13,910)
Uniform School Supply Fund	65,547	84,820	(19,273)

The following funds had expenditures plus encumbrances exceeding the legal level of appropriation at April 30, 2002:

General Fund:			
Fiscal Services			
Materials and Supplies	\$ 5,800	9,660	(3,860)
Operations and Maintenance			
Other	9,445	10,638	(1,193)
General Enterprise Operation			
Materials and Supplies	0	3,199	(3,199)
Employee Contribution Plan Fund	0	13,910	(13,910)

This weakness could allow expenditures or expenditures plus encumbrances in the above funds to exceed the total of the available fund balance and the current year revenues. This would then result in a negative fund balance. These violations were corrected at June 30, 2002.

The District was aware of these requirements but its control procedures failed to prevent or detect the non-compliance in these instances.

We recommend the District compare appropriations to expenditures and expenditures plus encumbrances, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
Continued**

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

FINDING NUMBER 2002-10847-002

Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Rev. Code Section 5705.40 requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The following fund had appropriations in excess of the amount certified as available by the budget commission at April 30, 2002:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Text Book Sales Fund	\$ 73,240	\$ 90,000	\$ (16,760)

This weakness could allow expenditures in the above fund to exceed the total of the available fund balances and current year revenues. This could result in negative fund balances in this fund. This violation was corrected at June 30, 2002.

The District was aware of this requirement, but its control procedures failed to prevent or detect the non-compliance in this instance.

We recommend the District compare current year appropriations to total certified resources, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

3. FINDINGS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

LORAIN 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
FEBRUARY 25, 2003**