



**Auditor of State
Betty Montgomery**

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Vanguard Sentinel Career Centers (the District) as of and for the year ended June 30, 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 Vanguard Sentinel Career Centers, Sandusky County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2003 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.

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

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

Betty Montgomery
Auditor of State

January 13, 2003

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**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,473,227	\$146,395	\$433,333	\$5,001,744
Equity in Pooled Cash and Cash Equivalents:				
In Segregated Accounts	146			
Receivables (Net of Allowances of Uncollectibles):				
Accounts	156	1,319		
Intergovernmental	98,805	61,804		
Accrued Interest	221,799			
Interfund Receivable	132,500			
Property and Other Local Taxes	3,711,905			
Prepaid Items	85,670	2,442		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	55,852			
Inventory Held for Resale				
Material and Supplies Inventory				
Fixed Assets (Net of Accumulated Depreciation Where Applicable)				
Other debits:				
Amount Available in Debt Service Fund for Retirement of Long Term Obligations				
Amount to be Provided from General Government Resources				
Total assets and other debits	\$7,780,060	\$211,960	\$433,333	\$5,001,744

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$145,897	\$263,020			\$9,463,616
				146
9,647	31			11,153
25,104	110			185,823
				221,799
				132,500
				3,711,905
2,304	13			90,429
				55,852
3,254				3,254
6,753				6,753
35,286		\$19,941,622		19,976,908
			\$433,333	433,333
			912,990	912,990
\$228,245	\$263,174	\$19,941,622	\$1,346,323	\$35,206,461

(Continued)

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$164,736	\$1,327		
Accrued Wages	1,079,159	48,549		
Compensated Absences Payable	18,326			
Interfund Payable		132,500		
Deferred Revenue	3,311,617	61,804		
Due to Students				
School Facilities Loan Payable				
Total Liabilities	<u>4,573,838</u>	<u>244,180</u>		
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings: Unreserved				
Fund Balances:				
Reserved for Encumbrances	237,700	23,633		
Reserved for Property Taxes	487,626			
Reserved for Debt Service Principal			\$433,333	
Reserved for Budget Stabilization	55,852			
Reserved for Trust				
Unreserved:				
Designated for Budget Stabilization	444,370			
Undesignated	1,980,674	(55,853)		\$5,001,744
Total Fund Equity and Other Credits	<u>3,206,222</u>	<u>(32,220)</u>	<u>433,333</u>	<u>5,001,744</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$7,780,060</u>	<u>\$211,960</u>	<u>\$433,333</u>	<u>\$5,001,744</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$169,502
\$1,551	\$1,888			1,169,550
41,448	394			982,891
51,575			\$912,990	132,500
				3,396,784
23,363				35,544
	35,544			433,333
			433,333	433,333
<u>117,937</u>	<u>37,826</u>		<u>1,346,323</u>	<u>6,320,104</u>
		\$19,941,622		19,941,622
2,300				2,300
108,008				108,008
	2,902			264,235
				487,626
				433,333
				55,852
	902			902
				444,370
	221,544			7,148,109
<u>110,308</u>	<u>225,348</u>	<u>19,941,622</u>		<u>28,886,357</u>
<u>\$228,245</u>	<u>\$263,174</u>	<u>\$19,941,622</u>	<u>\$1,346,323</u>	<u>\$35,206,461</u>

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$7,622,613	\$773,800
Interest	422,847	
Tuition and Fees	3,410	
Gifts and Donations		2,783
Property and Other Local Taxes	3,690,351	
Miscellaneous	300,461	7,548
Total revenues	<u>12,039,682</u>	<u>784,131</u>
Expenditures:		
Current:		
Instruction:		
Regular	267,919	
Special	100,063	6,385
Vocational	6,886,470	145,418
Adult/Continuing		111,758
Support Services:		
Pupil	202,279	345,787
Instructional Staff	532,813	145,140
Board of Education	44,897	
Administration	572,623	26,449
Fiscal	351,065	1,452
Operations and Maintenance of Plant	1,137,163	5,374
Pupil Transportation	36,262	5,232
Central		71,158
Operation of Non-Instructional Services		3,707
Extracurricular Activities	10,032	2,687
Debt Service:		
Principal Retirement		
Total Expenditures	<u>10,141,586</u>	<u>870,547</u>
Excess of Revenues Over (Under) Expenditures	<u>1,898,096</u>	<u>(86,416)</u>
Other Financing Sources (Uses):		
Proceeds from Sale of Fixed Assets	6,463	
Operating Transfers In		13,229
Operating Transfers Out	(1,375,548)	
Total Other Financing Sources (Uses)	<u>(1,369,085)</u>	<u>13,229</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	529,011	(73,187)
Fund Balances at Beginning of Year	<u>2,677,211</u>	<u>40,967</u>
Fund Balances at End of Year	<u>\$3,206,222</u>	<u>(\$32,220)</u>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
			\$8,396,413
			422,847
			3,410
			2,783
			3,690,351
		\$23,335	331,344
		23,335	12,847,148
			267,919
			106,448
	\$7,500	9,885	7,049,273
		7,127	118,885
			548,066
		3,885	681,838
			44,897
			599,072
			352,517
			1,142,537
			41,494
			71,158
			3,707
			12,719
\$66,667			66,667
66,667	7,500	20,897	11,107,197
(66,667)	(7,500)	2,438	1,739,951
			6,463
	1,310,000	2,319	1,325,548
			(1,375,548)
	1,310,000	2,319	(43,537)
(66,667)	1,302,500	4,757	1,696,414
500,000	3,699,244	219,465	7,136,887
\$433,333	\$5,001,744	\$224,222	\$8,833,301

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002**

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$7,494,453	\$7,639,531	\$145,078
Interest	300,000	356,242	56,242
Tuition and Fees	4,000	3,410	(590)
Gifts and Donations			
Property and Other Local Taxes	3,573,849	3,582,267	8,418
Miscellaneous	246,571	293,293	46,722
Total revenues	<u>11,618,873</u>	<u>11,874,743</u>	<u>255,870</u>
Expenditures:			
Current:			
Instruction:			
Regular	276,651	266,091	10,560
Special	100,427	98,507	1,920
Vocational	7,088,093	6,909,450	178,643
Adult/Continuing			
Support Services:			
Pupil	214,232	202,386	11,846
Instructional Staff	562,132	539,544	22,588
Board of Education	63,764	57,882	5,882
Administration	593,388	572,307	21,081
Fiscal	362,921	349,219	13,702
Operation and Maintenance of Plant	1,309,298	1,293,846	15,452
Pupil transportation	42,304	39,652	2,652
Central			
Operation of Non-Instructional Services			
Extracurricular Activities	10,050	10,032	18
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	<u>10,623,260</u>	<u>10,338,916</u>	<u>284,344</u>
Excess of Revenues Over (Under) Expenditures	<u>995,613</u>	<u>1,535,827</u>	<u>540,214</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	2,000	6,463	4,463
Refund of Prior Year Expenditure		7,664	7,664
Advances In	209,787	209,787	
Advance Out	(132,500)	(132,500)	
Operating Transfers In			
Operating Transfers Out	(1,376,455)	(1,375,548)	907
Total Other Financing Sources (Uses)	<u>(1,297,168)</u>	<u>(1,284,134)</u>	<u>13,034</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(301,555)	251,693	553,248
Fund Balances at Beginning of Year	2,540,923	2,540,923	
Prior Year Encumbrances Appropriated	334,783	334,783	
Fund Balances at End of Year	<u><u>\$2,574,151</u></u>	<u><u>\$3,127,399</u></u>	<u><u>\$553,248</u></u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$944,654	\$859,135	(\$85,519)			
2,250	2,910	660			
7,000	7,460	460			
<u>953,904</u>	<u>869,505</u>	<u>(84,399)</u>			
11,697	11,697				
199,480	189,383	10,097			
118,151	109,792	8,359			
369,732	348,392	21,340			
161,863	146,685	15,178			
41,811	28,939	12,872			
1,452	1,452				
6,659	6,659				
6,341	6,341				
71,964	71,822	142			
3,707	3,707				
4,000	2,687	1,313			
			\$66,667	\$66,667	
<u>996,857</u>	<u>927,556</u>	<u>69,301</u>	<u>66,667</u>	<u>66,667</u>	
<u>(42,953)</u>	<u>(58,051)</u>	<u>(15,098)</u>	<u>(66,667)</u>	<u>(66,667)</u>	
	132,500	132,500			
	(159,787)	(159,787)			
13,228	13,228				
<u>13,228</u>	<u>(14,059)</u>	<u>(27,287)</u>			
(29,725)	(72,110)	(42,385)	(66,667)	(66,667)	
152,658	152,658		500,000	500,000	
41,163	41,163				
<u>\$164,096</u>	<u>\$121,711</u>	<u>(\$42,385)</u>	<u>\$433,333</u>	<u>\$433,333</u>	

(Continued)

**VANGUARD-SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Capital Projects		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental			
Interest			
Tuition and Fees			
Gifts and Donations			
Property and Other Local Taxes			
Miscellaneous			
Total revenues			
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational	\$7,500	\$7,500	
Adult/Continuing			
Support Services:			
Pupil			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil transportation			
Central			
Operation of Non-Instructional Services			
Extracurricular Activities			
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	7,500	7,500	
Excess of Revenues Over (Under) Expenditures	(7,500)	(7,500)	
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditure			
Advances In			
Advance Out			
Operating Transfers In	1,000,000	1,310,000	\$310,000
Operating Transfers Out			
Total Other Financing Sources (Uses)	1,000,000	1,310,000	310,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	992,500	1,302,500	310,000
Fund Balances at Beginning of Year	3,699,245	3,699,245	
Prior Year Encumbrances Appropriated			
Fund Balances at End of Year	\$4,691,745	\$5,001,745	\$310,000

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

Expendable Trust Fund			Total (Memorandum Only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$8,439,107	\$8,498,666	\$59,559
			\$300,000	\$356,242	\$56,242
			\$4,000	\$3,410	(\$590)
			\$2,250	\$2,910	\$660
			\$3,573,849	\$3,582,267	\$8,418
\$18,600	\$23,577	\$4,977	\$272,171	\$324,330	\$52,159
18,600	23,577	4,977	12,591,377	12,767,825	176,448
			276,651	266,091	10,560
			112,124	110,204	1,920
43,834	12,788	31,046	7,338,907	7,119,121	219,786
8,442	7,150	1,292	126,593	116,942	9,651
			583,964	550,778	33,186
4,143	3,850	293	728,138	690,079	38,059
			63,764	57,882	5,882
			635,199	601,246	33,953
			364,373	350,671	13,702
			1,315,957	1,300,505	15,452
			48,645	45,993	2,652
			71,964	71,822	142
			3,707	3,707	
1,010		1,010	14,050	12,719	1,331
			1,010		1,010
			66,667	66,667	
57,429	23,788	33,641	11,751,713	11,364,427	387,286
(38,829)	(211)	38,618	839,664	1,403,398	563,734
			2,000	6,463	4,463
				7,664	7,664
			209,787	342,287	132,500
1,500	2,319	819	(132,500)	(292,287)	(159,787)
			1,014,728	1,325,547	310,819
			(1,376,455)	(1,375,548)	907
1,500	2,319	819	(282,440)	14,126	296,566
(37,329)	2,108	39,437	557,224	1,417,524	860,300
219,377	219,377		7,112,203	7,112,203	
210	210		376,156	376,156	
\$182,258	\$221,695	\$39,437	\$8,045,583	\$8,905,883	\$860,300

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**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Tuition	\$252,266		\$252,266
Sales	131,068		131,068
Charges for Services	104,204		104,204
Interest		\$30	30
Total Operating Revenues	487,538	30	487,568
Operating Expenses:			
Salaries	465,957		465,957
Fringe Benefits	103,892		103,892
Purchased Services	26,717	50	26,767
Materials and Supplies	181,934		181,934
Cost of Sales	43,091		43,091
Depreciation	7,574		7,574
Other	70		70
Total Operating Expenses	829,235	50	829,285
Operating Loss	(341,697)	(20)	(341,717)
Nonoperating Revenues (Expenses):			
Federal Donated Commodities	10,437		10,437
Federal and State Subsidies	300,815		300,815
Interest	848		848
Loss of Sales of Fixed Assets	(431)		(431)
Total Nonoperating Revenues (Expenses)	311,669		311,669
Net Loss Before Operating Transfers In	(30,028)	(20)	(30,048)
Operating Transfers In	50,000		50,000
Net Income (Loss)	19,972	(20)	19,952
Retained Earnings/Fund Balance, at Beginning of Year	88,036	1,146	89,182
Retained Earnings/Fund Balance, at End of Year	108,008	\$1,126	\$109,134
Contributed Capital at Beginning of Year	2,300		2,300
Contributed Capital at End of Year	2,300		2,300
Total Fund Equity at End of Year	\$110,308	\$1,126	\$111,434

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002**

	Enterprise		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Tuition	\$321,000	\$253,840	(\$67,160)
Sales	91,200	131,076	39,876
Charges for Services	88,000	105,585	17,585
Interest			
Total revenues	<u>500,200</u>	<u>490,501</u>	<u>(9,699)</u>
Expenses:			
Salaries	478,740	467,997	10,743
Fringe Benefits	111,007	104,302	6,705
Purchased Services	27,607	26,130	1,477
Materials and Supplies	247,092	224,263	22,829
Capital Outlay	5,874	5,874	
Other	250	49	201
Total Expenses	<u>870,570</u>	<u>828,615</u>	<u>41,955</u>
Excess of Revenues Over (Under) Expenses	<u>(370,370)</u>	<u>(338,114)</u>	<u>32,256</u>
Advances and Operating Transfers:			
Interest	1,000	848	(152)
Federal and State Subsidies	284,000	300,815	16,815
Transfers In	19,000	50,000	31,000
Advances Out		(50,000)	(50,000)
Excess of Revenues (Under) Expenses, Advances and Operating Transfers	<u>(66,370)</u>	<u>(36,451)</u>	<u>29,919</u>
Fund Equity at Beginning of Year	165,857	165,857	
Prior Year Encumbrances Appropriated	10,255	10,255	
Fund Equity at End of Year	<u>\$109,742</u>	<u>\$139,661</u>	<u>\$29,919</u>

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

Nonexpendable Trust			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$321,000	\$253,840	(\$67,160)
			91,200	131,076	39,876
			88,000	105,585	17,585
\$20	\$30	\$10	20	30	10
20	30	10	500,220	490,531	(9,689)
			478,740	467,997	10,743
			111,007	104,302	6,705
100	50	50	27,707	26,180	1,527
			247,092	224,263	22,829
			5,874	5,874	
			250	49	201
100	50	50	870,670	828,665	42,005
(80)	(20)	60	(370,450)	(338,134)	32,316
			1,000	848	(152)
			284,000	300,815	16,815
			19,000	50,000	31,000
				(50,000)	(50,000)
(80)	(20)	60	(66,450)	(36,471)	29,979
1,147	1,147		167,004	167,004	
			10,255	10,255	
\$1,067	\$1,127	\$60	\$110,809	\$140,788	\$29,979

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash Flows from Operating Activities:			
Cash Received from Customers	\$236,661		\$236,661
Cash Received from Tuition Payments	253,840		253,840
Cash Received From Interest Income (Nonexpendable Trust Only)		\$30	30
Cash Payments to Supplier for Goods and Services	(244,205)	(50)	(244,255)
Cash Payments to Employees for Services	(467,997)		(467,997)
Cash Payments for Employee Benefits	(104,302)		(104,302)
Net Cash Used for Operating Activities	<u>(326,003)</u>	<u>(20)</u>	<u>(326,023)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	300,815		300,815
Operating Transfers In	50,000		50,000
Cash Paid for Advances Out	(50,000)		(50,000)
Net Cash Provided by Noncapital Financing Activities	<u>300,815</u>		<u>300,815</u>
Cash Flows from Capital and Related Financing Activities			
Payments for Capital Acquisitions	(5,874)		(5,874)
Net Cash Used For Capital and Related Financing Activities	<u>(5,874)</u>		<u>(5,874)</u>
Cash Flows from Investing Activities:			
Interest on Investments	848		848
Net Cash Provided by Investing Activities	<u>848</u>		<u>848</u>
Net Decrease in Cash and Cash Equivalents	(30,214)	(20)	(30,234)
Cash and Cash Equivalents at Beginning of Year	176,111	1,146	177,257
Cash and Cash Equivalents at End of Year	<u>\$145,897</u>	<u>\$1,126</u>	<u>\$147,023</u>

(Continued)

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(\$341,697)	(\$20)	(\$341,717)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	7,574		7,574
Donated Commodities Used During Year	10,437		10,437
Changes in Asset and Liabilities:			
(Increase)/Decrease in Accounts Receivable	2,237		2,237
(Increase)/Decrease in Prepaid Items	63		63
(Increase)/Decrease in Inventory Held for Resale	3,995		3,995
(Increase)/Decrease in Materials and Supplies Inventory	396		396
(Increase)/Decrease in Intergovernmental Receivable	50,011		50,011
Increase/(Decrease) in Accounts Payable	(7,112)		(7,112)
Increase/(Decrease) in Accrued Wages	(4,795)		(4,795)
Increase/(Decrease) in Compensated Absences Payable	2,407		2,407
Increase/(Decrease) in Deferred Revenue	(49,519)		(49,519)
Total Adjustments	15,694		15,694
Net Cash Used for Operating Activities	(\$326,003)	(\$20)	(\$326,023)

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002

Cash and Cash Equivalents		
Trust and Agency Funds		\$263,020
Less: Expendable Trust Fund		(225,006)
Less: Agency Funds		(36,888)
Cash and Cash Equivalents - Nonexpendable Trust Fund		\$1,126

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

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**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

The District serves an area of approximately 1600 square miles. The District is the 6th largest joint vocational school district in the State of Ohio (among 49 joint vocational districts) in terms of enrollment with an enrollment of 1,088 students. The District employed 10 administrative and supervisory personnel, 114 certificated employees and 28 non-certificated employees.

Reporting Entity:

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

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. The District has no component units.

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

GOVERNMENTAL FUND TYPES:

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

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

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

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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

PROPRIETARY FUND TYPES:

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

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

FIDUCIARY FUND TYPES:

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

ACCOUNT GROUPS:

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (e.g. revenues) and decreases (e.g., expenses) in net total assets.

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

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

Revenue resulting from exchange transaction, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grant, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

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

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

TAX BUDGET:

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

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

ESTIMATED RESOURCES:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which state the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

APPROPRIATIONS:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Although the legal level of expenditure of budgetary control was established at the fund and object level of expenditure for all funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditure for these funds. Any revisions that alter the total of any fund appropriation, or alter object appropriations within a fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, supplemental appropriation resolutions were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

ENCUMBRANCES:

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

LAPSING OF APPROPRIATIONS:

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

D. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit and Star Ohio. Nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, interest is credited to the General Fund, unless the law prescribes differently. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$422,847, which includes \$265,179 assigned from other funds.

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventory of governmental funds is stated at cost while inventory of proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory of proprietary funds consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Restricted Assets

Restricted Assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to create a reserve for budget stabilization.

H. Fixed Assets and Depreciation

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

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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

I. Interfund Assets/Liabilities

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all full-time employees working eleven months or more.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for employees who are age 45 or over or have 20 years of retirement service credit.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1992, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

M. Fund Balance Reserves/Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, budget stabilization, designation for budget stabilization, debt service, and contributions to the nonexpendable trust fund that must be kept intact. The designation for budget stabilization represents money set aside under the provision of ORC § 5705.13(A). Designations represent tentative management plans that are subject to change.

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

N. Intergovernmental Revenues

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

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

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
Jobs for Ohio's Graduates
Career Development
Education Management Information Systems
School Net
Tech Prep
Character Education
Safe, Drug-Free Schools
Adult Basic and Literacy Education
Chapter I - Migrant Education

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Dwight D. Eisenhower Professional Development
Carl D. Perkins Title II
Title VI

Reimbursable Grants

Proprietary Funds
National School Lunch Program
Government Donated Commodities
Federal Pell Grant

Grants and entitlements amount to approximately sixty-five percent of the District's operating revenue during the 2002 fiscal year.

O. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2002 included the following individual fund deficits:

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

<u>Special Revenue Funds</u>	<u>Deficit</u>
Jogs and PIC Able	\$80
Career Development	228
ABLE	6,602
Eisenhower Grants	320
Vocational Grants	42,856
<u>Enterprise Fund</u>	
Adult Education	17,845

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. These deficits are caused by the application of GAAP namely in the recording of liabilities attributable for the fiscal year. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with state statute which does not allow for a negative fund balance at year-end.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Similar Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
All Governmental and Similar Fiduciary Fund Types

	General	Special Revenue	Debt Service	Capital Project	Expendable Trusts
Budget Basis	\$251,693	(\$72,110)	(\$66,667)	\$1,302,500	\$2,108
Adjustments:					
Revenue Accruals	(52,512)	(217,873)			(242)
Expenditure Accruals	(71,996)	192,113			(414)
Encumbrances	401,826	24,683			3,305
GAAP Basis	<u>\$529,011</u>	<u>(\$73,187)</u>	<u>(\$66,667)</u>	<u>\$1,302,500</u>	<u>\$4,757</u>

Net Income/Excess of Revenues Over (Under)
Expenses, Advances and Transfers
All Proprietary and Similar Fiduciary Fund Types

	Enterprise	Nonexpendable Trust
Budget Basis	(\$36,451)	(\$20)
Adjustments:		
Revenue accruals	7,474	
Expenditure accruals	42,712	
Encumbrances	6,237	
GAAP Basis	<u>\$19,972</u>	<u>(\$20)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify 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 District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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

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

1. United States Treasury Notes, Bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked-to-market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (Star Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

At fiscal year-end, the carrying amount of the District's deposits was \$9,210,126 and the bank balance was \$9,594,260. Of the bank balance, \$600,000 was covered by federal depository insurance, \$6,306,842 was pledged with individual securities, and \$2,687,418 was collateralized with pooled

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

securities. Although the securities were held by the pledging financial institution, or by its' trust department or safekeeping agent, but not in the District's name and all State statutory requirements for deposits of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

GASB Statement No. 3 requires that investments be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name. Star Ohio is an unclassified investment because it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$309,342.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	Cash and Cash Equivalents	Investments
Per GASB Statement No. 9	\$9,519,614	
Cash on Hand	(146)	
STAR Ohio	(309,342)	\$309,342
Per GASB Statement No. 3	\$9,210,126	\$309,342

NOTE 6 - PROPERTY TAXES

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

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

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

The District receives property taxes from Crawford, Hancock, Huron, Marion, Ottawa, Sandusky, Seneca, Wood, and Wyandot counties. The county auditors periodically advance to the District its portion of taxes collected. Second-half real property tax payments collected by the counties 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, tangible 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 \$487,626 in the General Fund. The amount available as an advance at June 30, 2001, was \$379,542 in the General Fund.

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

	2001 Second-Half Collections		2002 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$1,929,754,190	78.80%	\$1,994,494,720	80.01%
Public Utility Personal Property	162,865,980	6.65%	133,757,680	5.37%
Tangible Personal Property	356,427,576	14.55%	364,422,414	14.62%
Total Assessed Value	<u>\$2,449,047,746</u>	<u>100.00%</u>	<u>\$2,492,674,814</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 <u>\$1.60</u>		 <u>\$1.60</u>	

NOTE 7 - RECEIVABLES

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

Receivables	Amount
General Fund	\$98,805
Special Revenue Funds:	
Eisenhower Grant	320
Carl Perkins Grant	<u>61,484</u>
Total Special Revenue Fund	61,804

(Continued)

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Receivables	Amount
Enterprise Funds:	
State and Local Subsidies	25,104
Agency Funds:	
Student Activity	110
Total Intergovernmental Receivables	\$185,823

NOTE 8 - FIXED ASSETS

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

	Balance 7/1/01	Additions	Retirements	Balance 6/30/02
Land	\$330,690			\$330,690
Buildings	14,347,382	16,536		14,363,918
Furniture and Equipment	4,301,981	626,000	136,893	4,791,088
Vehicles	327,794	138,120	9,988	455,926
Total General Fixed Assets	\$19,307,847	\$780,656	\$146,881	\$19,941,622

The following is a summary of proprietary fund-type fixed assets at June 30, 2002:

	Enterprise Funds
Fixed Assets	\$117,019
Less accumulated depreciation	(81,733)
Net fixed assets	\$35,286

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

Buildings	40 years
Equipment	5-15 years

NOTE 9 - INTERFUND TRANSACTIONS

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Fund	Receivable	Payable
General	\$132,500	
Special Revenue:		
Adult Basic Literacy Education		\$27,100
Eisenhower Grant		400
Vocational Planning Grant		105,000
Total Special Revenue		132,500
Total	<u>\$132,500</u>	<u>\$132,500</u>

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2002, the District contracted with Indiana Insurance for property, Nationwide for fleet insurance, and the Ohio School Plan for liability coverage.

Coverages provided by Indiana, Nationwide Insurance and Ohio School Plan are as follows:

Buildings and contents - Replacement Cost (\$1,000 deductible)	\$ 36,235,034
Boiler and Machinery - Limit per accident (\$1,000 deductible)	15,000,000
Garage Liability	1,000,000
Garage Keepers Liability	45,000
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
General Liability	
Per occurrence	1,000,000
Total per Year	3,000,000
Excess Liability	1,000,000

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

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control and actuarial services to the Plan.

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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

For fiscal year 2002, the District participated in the Ohio School Plan (the Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. (See Note 18)

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$851,128, \$813,823, and \$822,223, respectively, equal to the required contributions for each fiscal year.

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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For the fiscal year 2002, 5.46 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

were \$149,717, \$146,167, and \$138,558, respectively, equal to the required contributions for each fiscal year.

C. Social Security System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$275,572 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the fund was \$3.256 billion. For the fiscal 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, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For the fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2002, the minimum pay was established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$104,369 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
Vocational Building Assistance No Interest; Matures 9/30/2008	\$500,000		\$66,667	\$433,333
Compensated Absences Payable	<u>834,487</u>	<u>\$78,503</u>		<u>912,990</u>
Total General Long Term Obligation	<u><u>\$1,334,487</u></u>	<u><u>\$78,503</u></u>	<u><u>\$66,667</u></u>	<u><u>\$1,346,323</u></u>

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

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

The District's overall debt margin was \$224,340,733 with an unvoted debt margin of \$2,492,675 at June 30, 2002.

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Principal and interest requirements to retire debt outstanding at June 30, 2002 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2003	\$66,667		\$66,667
2004	66,667		66,667
2005	66,667		66,667
2006	66,667		66,667
2007	66,666		66,666
2008	66,666		66,666
2009	33,333		33,333
Total	<u>\$433,333</u>		<u>\$433,333</u>

NOTE 15 – RESERVATIONS OF FUND BALANCE

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years.

The changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002 were as follows:

	Capital Textbooks	Improvements	Budget Stabilization	Total
Balance June 30, 2001			\$55,852	\$55,852
Current Year Set Aside Requirement	\$143,819	\$143,819		287,638
Qualifying Expenditures	(143,819)	(143,819)		(287,638)
Balance June 30, 2002			<u>\$55,852</u>	<u>\$55,852</u>

Amounts of qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. The District had qualifying expenditures during the fiscal year that reduced the textbooks set-aside amount below zero.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, customer service, and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Vanguard Sentinel Career Centers as of and for the fiscal year ended, June 30, 2002:

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Food Service	Uniform School Supplies	Customer Service	Adult Education Funds	Total Enterprise
Operating Revenues	\$66,334	\$28,210	\$104,204	\$288,790	\$487,538
Operating Expenses					
less Depreciation	110,369	27,190	108,755	575,347	821,661
Depreciation Expense	2,089		76	5,409	7,574
Operating Income (Loss)	(46,124)	1,020	(4,627)	(291,966)	(341,697)
Donated Commodities	10,437				10,437
Federal and State Subsidies	25,128			275,687	300,815
Interest	848				848
Loss on Sale of Fixed Assets				(431)	(431)
Operating Transfer In				50,000	50,000
Net Income (Loss)	(9,711)	1,020	(4,627)	33,290	19,972
Contributed Capital				2,300	2,300
Fixed Asset Additions				5,874	5,874
Fixed Asset Reductions	(8,000)			(2,099)	(10,099)
Net Working Capital	26,366	14,193	80,598	5,441	126,598
Total Assets	56,323	14,193	80,931	76,798	228,245
Total Equity	33,030	14,193	80,931	(17,846)	110,308

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association - The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty school districts. The Jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts and educational service centers. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software packages utilized

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

NOTE 18 - GROUP PURCHASING POOLS

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

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan – The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, and the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

NOTE 19 – STATE SCHOOL FUNDING

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decision 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 District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 20 - CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

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**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Schedule of Federal Awards Expenditures
(Non-GAAP Basis)
For the Fiscal Year Ended June 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program		10.550
National School Lunch Program	051458-LLP4-2001 051458-LLP4-2002	10.555
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Direct Program:</i>		
Federal Pell Grant Program		84.063
<i>Passed Through Ohio Department of Education:</i>		
Adult Education: State Grant Program	051458-ABS1-2001 051458-ABS1-2001-C 051458-ABS1-2002	84.002
Migrant Education: State Grant Program	051458-MGS1-00-C 051458-MGS1-01	84.011
Eisenhower Professional Development State Grants	051458-MSS1-01 051458-MSS1-02	84.281
Innovative Education Program Strategies	051458-C2S1-2001 051458-C2S1-2002	84.298
Vocational Education: Basic Grants to States	051458-20A0-2001 051458-20C1-2001 051458-20C1-2002	84.048
<i>Passed Through Sandusky City School District</i>	VECPII-A2001-085 VECPII-A2002-085	
Total Department of Education		
Total Federal Awards Receipts and Expenditures		

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$10,203		\$10,438
\$3,325		\$3,325	
20,465		20,465	
23,790	10,203	23,790	10,438
50,138		50,138	
8,282		8,282	
25,475		25,542	
117,000		117,000	
<u>150,757</u>		<u>150,824</u>	
25,578		2,032	
<u>25,578</u>		<u>36,540</u>	
		<u>38,572</u>	
287			
2,884		3,204	
<u>3,171</u>		<u>3,204</u>	
4,903			
5,878		5,878	
<u>10,781</u>		<u>5,878</u>	
36,522		21,720	
67,422		41,562	
324,370		359,474	
73		904	
35,508		34,108	
<u>463,895</u>		<u>457,768</u>	
704,320		706,384	
<u>\$728,110</u>	<u>\$10,203</u>	<u>\$730,174</u>	<u>\$10,438</u>

**VANUGARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

**Notes to Schedule of Federal Awards Expenditures
Fiscal Year Ended June 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

NOTE C - MATCHING REQUIREMENTS

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



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

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

To the Board of Education:

We have audited the financial statements of Vanguard Sentinel Career Centers (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter date January 13, 2003.

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 management of the District in a separate letter dated January 13, 2003.

Vanguard Sentinel Career Centers
Sandusky County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

January 13, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of Vanguard Sentinel Career Centers (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to 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.

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

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

Betty Montgomery
Auditor of State

January 13, 2003

**VANGUARD SENTINEL CAREER CENTERS
SANDUSKY COUNTY**

Schedule of Findings
OMB Circular A -133 §.505
June 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



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VANGUARD SENTINEL CAREER CENTERS

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2003**