



**EHOVE CAREER CENTER
ERIE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EHOVE CAREER CENTER
ERIE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the EHOVE Career Center, Erie County, Ohio, (the District) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards 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 EHOVE Career Center, Erie County, Ohio, as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 13, 2000

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**EHOVE CAREER CENTER
ERIE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000**

	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>
ASSETS AND OTHER DEBITS		
Assets:		
Equity in Pooled Cash and Investments	\$5,276,226	\$476,028
Receivables:		
Taxes	5,277,815	
Accounts	219	46,941
Intergovernmental	21,738	148,634
Interfund Receivable	172,079	
Prepaid Items	7,577	3,690
Restricted Assets:		
Equity in Pooled Cash and Investments	193,452	
Inventory Held For Resale		60,700
Materials and Supplies Inventory	28,792	
Fixed Assets		
Other Debits:		
Amount To Be Provided From General Government Resources		
Total Assets and Other Debits	<u>\$10,977,898</u>	<u>\$735,993</u>
 LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts Payable	\$156,983	\$76,101
Accrued Wages	561,469	67,200
Compensated Absences Payable	2,478	
Interfund Payables		172,079
Intergovernmental Payable	194,528	94,243
Due To Students		
Deferred Revenues	4,815,368	70,012
Matured Interest Payable	1,075	
Notes Payable		
Total Liabilities	<u>5,731,901</u>	<u>479,635</u>
Equity and Other Credits:		
Investment In General Fixed Assets		
Fund Balances		
Reserved For Encumbrances	170,803	59,877
Reserved For Inventory	28,792	63,070
Reserved For Prepaid Items	7,577	3,690
Reserve For Tax Advances Not Available for Appropriation	603,791	
Reserve For Budget Stabilization	193,452	
Unreserved, Undesignated	4,241,582	129,721
Total Equity and Other Credits	<u>5,245,997</u>	<u>256,358</u>
Total Liabilities, Equity and Other Credits	<u>\$10,977,898</u>	<u>\$735,993</u>

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

Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum only)
	General Fixed Assets	General Long-term Debt	
\$42,980			\$5,795,234
			5,277,815
34			47,194
			170,372
			172,079
			11,267
			193,452
			60,700
			28,792
	\$8,683,499		8,683,499
		\$675,390	675,390
\$43,014	\$8,683,499	\$675,390	\$21,115,794
\$178			\$233,262
			628,669
		\$375,390	377,868
			172,079
1,612			290,383
23,150			23,150
			4,885,380
			1,075
		300,000	300,000
24,940		675,390	6,911,866
	\$8,683,499		8,683,499
			230,680
			91,862
			11,267
			603,791
			193,452
18,074			4,389,377
18,074	8,683,499		14,203,928
\$43,014	\$8,683,499	\$675,390	\$21,115,794

**EHOVE CAREER CENTER
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Type</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum only)
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Revenues:				
Taxes	\$4,792,882			\$4,792,882
Intergovernmental	3,639,960	\$1,995,440		5,635,400
Interest	372,089		\$580	372,669
Tuition and Fees	22,930	1,121,668		1,144,598
Extracurricular Activities		3,370		3,370
Food Service		152,333		152,333
Miscellaneous	60,902	205,241	7,900	274,043
Total Revenues	8,888,763	3,478,052	8,480	12,375,295
Expenditures:				
Current:				
Instruction:				
Regular	464,756			464,756
Special	414,340	41,294		455,634
Vocational	3,871,180	612,421		4,483,601
Adult/Continuing		2,185,466	10,733	2,196,199
Support Services				
Pupils	419,064	406,228		825,292
Instructional Staff	155,861	2,887		158,748
Board of Education	29,428			29,428
Administration	855,212	156,025		1,011,237
Fiscal	368,294	5,000		373,294
Business	294,668			294,668
Operation and Maintenance of Plant	1,152,819			1,152,819
Pupil Transportation	7,584			7,584
Central	348,591	55,065		403,656
Operation of Non-Instructional Services				
Other		191,471	1,300	192,771
Capital Outlay	112,842			112,842
Debt Service:				
Principal Retirement	100,000			100,000
Interest and Fiscal Charge	16,842			16,842
Total Expenditures	8,611,481	3,655,857	12,033	12,279,371
Excess of Revenues Over (Under) Expenditures	277,282	(177,805)	(3,553)	95,924
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Asset:	5,048			5,048
Refund of Prior Year Expenditure:	16,940	2,245		19,185
Operating Transfers In		81,855		81,855
Operating Transfers Out	(81,855)			(81,855)
Total Other Financing Sources (Uses)	(59,867)	84,100		24,233
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Use:	217,415	(93,705)	(3,553)	120,157
Fund Balances (Deficit) at Beginning of Year	5,038,520	295,365	21,627	5,355,512
Increase (Decrease) in Reserve for Inventor	(9,938)	54,698		44,760
Fund Balances at End of Year	\$5,245,997	\$256,358	\$18,074	\$5,520,429

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$4,651,000	\$4,647,396	(\$3,604)
Intergovernmenta	3,515,000	3,678,360	163,360
Food Services			
Interest	325,000	356,344	31,344
Tuition and Fees	20,000	22,930	2,930
Miscellaneous	85,000	61,150	(23,850)
Total Revenues	8,596,000	8,766,180	170,180
Expenditures:			
Current:			
Instruction:			
Regular	460,373	459,417	956
Special	402,016	401,869	147
Vocational	3,808,689	3,776,928	31,761
Adult/Continuing			
Support Services			
Pupils	439,424	435,246	4,178
Instructional Staf	153,944	151,091	2,853
Board of Education	30,125	29,804	321
Administration	877,917	869,102	8,815
Fiscal	232,136	228,252	3,884
Business	303,095	301,309	1,786
Operation and Maintenance of Plan	1,275,377	1,268,953	6,424
Pupil Transportatior	9,762	8,001	1,761
Central	366,599	359,484	7,115
Operation of Non-Instructional Service:			
Community Service			
Food Services			
Capital Outlay	205,617	192,331	13,286
Debt Service:			
Principal Retirement	117,200	117,200	
Total Expenditures	8,682,274	8,598,987	83,287
Excess of Revenues Over (Under) Expenditures	(86,274)	167,193	253,467
Other Financing Sources (Uses):			
Sale and Loss of Assets	5,000	5,048	48
Refund of Prior Year Receipts	8,000	16,940	8,940
Advances In	167,000	167,538	538
Advances Out	(205,000)	(172,079)	32,921
Operating Transfers In			
Operating Transfers Out	(87,000)	(81,855)	5,145
Total Other Financing Sources (Uses)	(112,000)	(64,408)	47,592
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Use:	(198,274)	102,785	301,059
Fund Balances at Beginning of Year	5,112,470	5,112,470	
Prior Year Encumbrances	197,737	197,737	
Fund Balances at End of Year	\$5,111,933	\$5,412,992	\$301,059

(Continued)

**EHOVE CAREER CENTER
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes			
Intergovernmenta	\$2,099,347	\$2,100,133	\$786
Food Services	155,000	152,333	(2,667)
Interest			
Tuition and Fees	1,136,995	1,118,729	(18,266)
Miscellaneous	198,152	208,465	10,313
Total Revenues	3,589,494	3,579,660	(9,834)
Expenditures:			
Current:			
Instruction:			
Regular			
Special	46,576	40,855	5,721
Vocational	698,112	666,712	31,400
Adult/Continuing	2,319,337	2,241,471	77,866
Support Services			
Pupils	446,699	429,909	16,790
Instructional Staf	3,000	2,995	5
Board of Education			
Administration	155,059	149,899	5,160
Fiscal	5,000	5,000	
Business			
Operation and Maintenance of Plan			
Pupil Transportator			
Central	74,124	73,471	653
Operation of Non-Instructional Service:			
Community Service			
Food Services	189,463	189,262	201
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	3,937,370	3,799,574	137,796
Excess of Revenues Over (Under) Expenditures	(347,876)	(219,914)	127,962
Other Financing Sources (Uses):			
Sale and Loss of Assets			
Refund of Prior Year Receipts		2,245	2,245
Advances In	94,939	172,079	77,140
Advances Out		(167,538)	(167,538)
Operating Transfers In	80,695	81,855	1,160
Operating Transfers Out			
Total Other Financing Sources (Uses)	175,634	88,641	(86,993)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Use:	(172,242)	(131,273)	40,969
Fund Balances at Beginning of Year	419,330	419,330	
Prior Year Encumbrances	66,012	66,012	
Fund Balances at End of Year	\$313,100	\$354,069	\$40,969

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

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$4,651,000	\$4,647,396	(\$3,604)
			5,614,347	5,778,493	164,146
			155,000	152,333	(2,667)
\$557	\$580	\$23	325,557	356,924	31,367
4,500	7,900	3,400	1,156,995	1,141,659	(15,336)
5,057	8,480	3,423	287,652	277,515	(10,137)
			12,190,551	12,354,320	163,769
			460,373	459,417	956
			448,592	442,724	5,868
11,000	10,733	267	4,506,801	4,443,640	63,161
			2,330,337	2,252,204	78,133
			886,123	865,155	20,968
			156,944	154,086	2,858
			30,125	29,804	321
500		500	1,032,976	1,019,001	13,975
			237,636	233,252	4,384
			303,095	301,309	1,786
			1,275,377	1,268,953	6,424
			9,762	8,001	1,761
			440,723	432,955	7,768
2,900	1,300	1,600	2,900	1,300	1,600
			189,463	189,262	201
			205,617	192,331	13,286
			117,200	117,200	
14,400	12,033	2,367	12,634,044	12,410,594	223,450
(9,343)	(3,553)	5,790	(443,493)	(56,274)	387,219
			5,000	5,048	48
			8,000	19,185	11,185
			261,939	339,617	77,678
			(205,000)	(339,617)	(134,617)
			80,695	81,855	1,160
			(87,000)	(81,855)	5,145
			63,634	24,233	(39,401)
(9,343)	(3,553)	5,790	(379,859)	(32,041)	347,818
21,626	21,626		5,553,426	5,553,426	
			263,749	263,749	
\$12,283	\$18,073	\$5,790	\$5,437,316	\$5,785,134	\$347,818

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**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the Entity

The EHOVE Career Center (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a joint vocational school district as defined by Section 3311.16 of the Ohio Revised Code. The District operates under an appointed Board of Education (9 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999, was 731. The District employed 11 administrative and supervisory personnel, 78 certificated employees and 39 non-certificated employees.

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

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 for the organization. The District has no component units.

The District is associated with three jointly governed organizations and two public entity risk pools. These organizations are presented in Notes 14 and 15 to the general-purpose financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 government functions or activities.

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the 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) 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 for major capital projects) that are legally restricted to expenditure for specified purposes.

2. Proprietary Fund Types

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

3. Fiduciary Fund Types

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

4. Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District.

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

**EHOVE CAREER CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

B. Measurement Focus and Basis of Accounting

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

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

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they have been both collected by the county treasurer and available for advance at June 30. A 60-day availability period is used for revenue recognition for all other governmental fund revenues. Other revenues susceptible to accrual are intergovernmental, interest, and charges for services (accounts receivable). Expenditures are recorded when the related fund liability is incurred.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2001 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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary (cash) basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Budgetary modifications may only be made by resolution of the Board of Education.

**EHOVE CAREER CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. Tax Budget

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

2. Estimated Resources

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

3. Appropriations

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

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

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of moneys are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

5. Lapsing of Appropriations

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

D. Equity in Pooled 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 the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAR Ohio, non-negotiable certificates of deposit, overnight repurchase agreements, treasury notes, federal agency securities, and commercial paper.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$372,089 which includes \$28,800 assigned from other District funds.

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

F. Interfund Assets/Liabilities

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

G. Inventories

Inventories of governmental funds are stated at cost. For all funds cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Fixed Assets

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Assets in the general fixed assets account group are not depreciated.

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

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The 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

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

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

Reimbursable Grants

Capital Projects Funds

Vocational Education Equipment

Special Revenue Funds

National School Lunch Program

Government Donated Commodities

K. Compensated Absences

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

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

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

M. Fund Equity

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

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also be established. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

O. Interfund Transactions

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

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

P. Memorandum Only - Total Columns

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General	Special Revenue	Expendable Trust
Budget Basis	\$ 102,785	\$ (131,273)	\$ (3,553)
Adjustments:			
Revenue Accruals	(44,955)	(273,687)	
Expenditure Accruals	(72,979)	163,971	
Encumbrances	232,564	147,284	
GAAP Basis	\$ 217,415	\$ (93,705)	\$ (3,553)

NOTE 4 – EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' 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; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

A. Deposits

At year-end, the carrying amount of the District's deposits was \$865,130 and the bank balance was \$1,365,145.

The District's deposits are categorized below to give an indication of the level of credit risk assumed by the District at year end. Category 1 includes deposits that are insured or collateralized with securities held by the District or its safekeeping agent in the District's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the District's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, trust department, or safekeeping agent, but not in the District's name. The following show District deposits in each category:

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(Continued)**

Category 1 - \$981,827 was covered by federal depository insurance and by surety company bonds deposited with the treasurer by the financial institution.

Category 3 - \$383,318 was uninsured and uncollateralized because they were secured with securities held by the pledging institution, trust department, or safekeeping agent, but not in the District's name.

B. Investments

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

	Carrying Amount	Fair Value
STAR Ohio - Not Categorized	\$418,129	\$418,129
U.S. Treasury Investments - Category 2	4,705,177	4,705,177
	\$5,123,306	\$5,123,306

C. GASB 9 To GASB 3 Reconciliation

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classification of cash and investments on the combined financial statements and classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$5,988,686	
Reclassifications:		
Cash on Hand	(250)	
STAR Ohio	(418,129)	\$418,129
U.S. Treasury Investments	(4,705,177)	4,705,177
GASB Statement No. 3	\$865,130	\$5,123,306

NOTE 5 – 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 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at

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thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 1999 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$1,670,159,350	80%	\$1,711,977,320	81%
Public Utility Personal	156,896,330	8%	147,344,060	7%
Tangible Personal	258,682,864	12%	261,768,389	12%
Total	<u>\$2,085,738,544</u>	<u>100%</u>	<u>\$2,121,089,769</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$3.95		\$3.95	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

The District receives property taxes from various Counties within the District. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. 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, 2000 was \$603,791 and was recognized as revenue in the general fund. At June 30, 1999, \$458,305 was available to the District in the general fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of receivables follows:

Receivables	Amount
General Fund:	
Taxes - Current	\$5,179,776
Taxes - delinquent	98,039
Accounts receivable	219
Due from other governments	21,738

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Receivables	Amount
Special Revenue Funds:	
Accounts receivable	46,941
Due from other governments	148,634
Total	\$5,495,347

NOTE 7 – FIXED ASSETS

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

	Balance At 7/1/99	Additions	Retirements	Balance At 6/30/00
Land	\$378,920			\$378,920
Buildings	4,171,436			4,171,436
Furniture and Equipment	3,640,104	\$344,803	\$38,769	3,946,138
Moving Vehicles	158,290	28,715		187,005
Total General Fixed Assets	\$8,348,750	\$373,518	\$38,769	\$8,683,499

NOTE 8 – LONG-TERM DEBT

Long-term obligations of the District as of June 30, 1999 were as follows:

	Outstanding At 6/30/98	Additions	Deductions	Outstanding At 6/30/99
Compensated Absences	\$332,234	\$47,710	\$4,554	\$375,390
Energy Conservation Loan	400,000		100,000	300,000
Totals	\$732,234	\$47,710	\$104,554	\$675,390

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.

On February 1, 1994, the District borrowed \$1,400,00 in the form of a ten-year 4.30% note to finance energy conservation projects. The loan will be paid off with the utility savings generated from the energy improvements in accordance with House Bill 264 and Ohio Revised Code Section 3313.372.

Annual debt service requirements to maturity for the District's energy conservation notes, including interest of \$25,800, are as follows:

Year Ending June 30	Amount
2001	\$112,900
2002	108,600
2003	104,300
Total	\$325,800

NOTE 9 – INTERFUND RECEIVABLES/PAYABLES

Interfund balances at June 30, 2000, consist of the following individual fund receivables and payables:

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Fund	Receivable	Payable
<u>General Fund</u>	\$172,079	
<u>Special Revenue Funds:</u>		
Adult Ed. Resale		\$8,000
Auto Mechanics Rotary		1,600
Auto Body Rotary		1,000
Carpentry Rotary		500
General Trades Rotary		700
Adult Ed-Assessment		7,000
Adult Ed-Nurse Aide		2,000
Adult Ed-EMT/Fire		16,000
Adult Ed-Surgical Tech		23,000
Adult Ed-Adventure Education		23,000
PIC-Basic Skills 2000		9,833
Full Service Center 2000		3,000
Career Development 2000		9,967
Tech Prep Extended HT		50
Tech Prep Extended IE		75
ISO 9000 Grant		1,500
VBO Grant 2000		3,228
Eisenhauer Math 2000		1,204
Displaced Homemaker 2000		1,500
Network Grant 2000		3,750
Carl Perkins Adult 2000		7,287
Carl Perkins 2000		35,190
ONOW Grant 2000		6,000
Adult Workforce Development 2000		4,050
Title VI 2000		2,645
Total All Funds	\$172,079	\$172,079

NOTE 10 – OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative to two hundred seventy-two (272) days for certified employees and two hundred twelve (212) days for non-certified employees.

B. Service Retirement Benefits

1. Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is one-fourth of the certified employee's accrued but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (68 days maximum) accrued but unused sick leave days.

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Employees must have ten years service and retire in the first year they become eligible to be entitled to the maximum of sixty-six (68) days.

2. Certified employees with 10 years of service who do not retire in the first year eligible shall be paid at their daily rate of pay for nineteen percent (19%) of their total accrued but unused sick leave.
3. Certified employees who retire during the current contract will be paid \$125 for every year of service with the EHOVE Board of Education.
4. Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is one-fourth of sick leave days accumulated, but not to exceed fifty-two (52) days. Non-certified employees must have ten or more years of public service at the time of retirement.
5. Non-certified employees shall receive a lump sum payment of \$125 per year of service with the District upon retiring in the first year of eligibility (as defined by the School Employees Retirement System).
6. Administration employees, certified, and non-certified non-union staff are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is that as set forth in the EHOVE Education Association contract for administrators and as set forth in the OAPSE (Ohio Association of Public School Employees) contract for non-certified employees.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. 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; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$765,179, \$688,624, and \$643,831, respectively; 100 percent has been contributed for fiscal years 2000, 1999, and 1998.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS

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issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

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 fiscal year 2000, 5.55 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$179,297, \$162,857, and \$147,797, respectively; 100 percent has been contributed for fiscal years 2000, 1999, and 1998.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, one member of the Board of Education has elected social security. 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 non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent, and beginning July 1, 1998, was increased to 8 percent. For the District, this amount equaled \$444,576 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000,

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the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$78,981 during the 2000 fiscal year.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for general liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Losses have not exceeded insurance coverage for the last three years.

The District is a member of the Huron-Erie School Employees Insurance Association, a public entity risk pool currently operating as a common risk management and health insurance program for 14 member school districts. The District pays a monthly premium to the pool for health, prescription drug, dental, and vision coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

A. The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of a dissolution of the organization, all current members will share in net

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

B. Bay Area Council of Governments

The Bay Area Council of Governments consists of twenty-six school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through Bay Area are natural gas and insurance. The only cost to the districts is an administrative charge if they purchase something through the Council. The Bay Area Council of Governments consists of the superintendent of each school district. The Board of Directors consists of one elected representative from each county, and the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio, 44870.

C. Cisco Academy of Northwest Ohio

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

NOTE 15 – PUBLIC ENTITY RISK POOLS

A. Workers' Compensation

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

B. Health Benefits

The Huron-Erie School Employees Insurance Association is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an assembly which consists of one

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

representative from each participant (usually the superintendent or designee). The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Association. All Association revenues are generated from charges for services. Financial information can be obtained by writing to EHOVE Career Center, 316 W. Mason Rd., Milan, Ohio 44846.

NOTE 16 – STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the District received \$3,154,861 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant[ing] further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

NOTE 17 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and 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, 2000.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

B. Litigation

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

NOTE 18 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Balance 07/01/99			\$121,428
Required Set-Aside	\$216,071	\$216,071	72,024
Offset Credits			
Qualifying Expenditures	(216,071)	(216,071)	
Balance 06/30/99			\$193,452

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	\$193,452
Total restricted assets	\$193,452

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**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR		Federal
Pass-through Grantor	Pass Through	CFDA
Program Title	Entity Number	Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through the Ohio Department of Education</i>		
Nutrition Cluster:		
Governmental Donated Foods Program	N/A	10.550
National School Lunch Program		10.555
Total - National School Lunch Program		
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF LABOR		
<i>Passed Through the Ohio Department of Education</i>		
School-To-Work Grant	STW-1999-FED STW-1999-FED STW-1999-FED STW-1999-FED STW-2001-FED G2-S2-00 G2-S5-00	17.249
<i>Passed Through Lucas County ESC</i>		
School-To-Work Grant	N/A	17.249
<i>Passed Through Pioneer Career and Technology Center</i>		
School-To-Work Grant	N/A N/A	17.249
Total School-To-Work Grant		
Total Department of Labor		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education</i>		
Vocational Education - Basic Grants to States	VESE-HSTW Co VESE-STW-99 VESE-VBO-99 VESP-CG-99 VESE-NET-99 VECP-S-99	84.048

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$7,566		\$8,320
\$7,389		\$7,389	
8,631		8,631	
<u>16,020</u>		<u>16,020</u>	
16,020	7,566	16,020	8,320
52,840		61,463	
		5,964	
		74,381	
22,950		26,970	
62,500		9,867	
15,000		14,309	
3,000			
5,000			
23,000		23,000	
6,348		2,368	
<u>190,638</u>		<u>218,322</u>	
190,638		218,322	
6,922		2,272	
12,000		15,871	
2,289		6,757	
2,743		193	
3,000		158	
31,863			

(Continued)

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

FEDERAL GRANTOR		Federal
Pass-through Grantor	Pass Through	CFDA
Program Title	Entity Number	Number
Vocational Education - Basic Grants to States (Continued)	VECP-A-99	
	VESE-CUR-99	
	VESE-ONOW-99	
	VESE-VBO-00	
	VESP-CG-00	
	VESE-NET-00	
	VECP-S-00	
	VECP-A-00	
	VESE-ONOW-99	
Total Vocational Education Basic Grants To States		
Eisenhower Professional Development Grant	MS-SI-99	84.281
Eisenhower Professional Development Grant	MS-SI-00	
Total Eisenhower Professional Development Grant		
Innovative Education Program Strategies	C2-SI-99	84.298
Innovative Education Program Strategies	C2-SI-00	
Total Innovative Education Program Strategies		
Goals 2000 Grant	G2-S6-99	84.276
<i>Direct Payment - United States Department Of Education</i>		
Federal Pell Grant Program	N/A	84.063
Total Department of Education		
OTHER FEDERAL ASSISTANCE		
<i>Direct Payment - United States Department Of Armed Forces</i>		
Junior Air Force ROTC Program	N/A	N/A
Total Federal Financial Assistance		

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
5,718		3,244	
4,984		525	
25,500		28,728	
8,500		10,000	
21,250		20,840	
199,409		183,109	
41,291		32,748	
34,000		37,741	
<u>399,469</u>		<u>342,186</u>	
		229	
543		1,747	
<u>543</u>		<u>1,976</u>	
511		1,727	
1,134		3,779	
<u>1,645</u>		<u>5,506</u>	
25,000		12,500	
<u>257,798</u>		<u>257,798</u>	
<u>684,455</u>		<u>619,966</u>	
<u>27,713</u>		<u>27,713</u>	
<u>\$918,826</u>	<u>\$7,566</u>	<u>\$882,021</u>	<u>\$8,320</u>

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

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

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and local funds. It is assumed federal monies are expended first.

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*

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

To the Board of Education:

We have audited the financial statements of the EHOVE Career Center, Erie County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 13, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 13, 2000.

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.

Jim Petro
Auditor of State

December 13, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of the EHOVE Career Center, Erie County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. 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 generally accepted auditing standards; 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, 2000.

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.

Jim Petro
Auditor of State

December 13, 2000

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

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 Programs (list):	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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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EHOVE CAREER CENTER

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2001**