



**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report	1
General Purpose Financial Statements	3
Notes to the General Purpose Financial Statements	13
Schedule of Federal Awards Expenditures	35
Notes to the Schedule of Federal Awards Expenditures	36
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37
Report on Compliance with Requirements Applicable to Its Major Federal Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	39
Schedule of Findings	41

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building
615 Superior Avenue, NW.
Twelfth Floor
Cleveland, Ohio 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANT'S REPORT

Board of Education
Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

We have audited the accompanying general-purpose financial statements of the Auburn Vocational School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Auburn Vocational School District, Lake County, Ohio as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 10, 2002

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt						
									General	Long-Term Debt	Totals (Memorandum Only)			
ASSETS														
Equity in pooled cash and investments	\$ 4,316,417	\$ 452,395	\$ 3,905,895	\$ 370,811	\$ 843	\$ 50,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,097,312
Cash with fiscal agent	174,761	-	-	-	-	-	-	-	-	-	-	-	-	174,761
Restricted cash	48,386	-	-	-	-	-	-	-	-	-	-	-	-	48,386
Receivables:														
Property taxes	4,846,211	-	-	-	-	-	-	-	-	-	-	-	-	4,846,211
Accounts	519	95	-	7,233	-	4,673	-	-	-	-	-	-	-	12,520
Accrued interest	81,411	-	-	-	-	-	-	-	-	-	-	-	-	81,411
Interfund	120,000	-	-	-	-	-	-	-	-	-	-	-	-	120,000
Due from other governments	12,688	-	-	-	-	-	-	-	-	-	-	-	-	12,688
Inventory - material and supplies	29,329	-	-	12,894	-	-	-	-	-	-	-	-	-	42,223
Prepaid insurance	2,878	-	-	-	-	-	-	-	-	-	-	-	-	2,878
Land	-	-	-	-	-	-	680,140	-	-	-	-	-	-	680,140
Land improvements	-	-	-	-	-	-	352,816	-	-	-	-	-	-	352,816
Buildings and improvements	-	-	-	-	-	-	8,984,621	-	-	-	-	-	-	8,984,621
Furniture and equipment	-	-	-	-	-	-	5,602,007	-	-	-	-	-	-	5,602,007
Catering kitchen equipment	-	-	-	-	-	-	16,799	-	-	-	-	-	-	16,799
Vehicles	-	-	-	-	-	-	145,921	-	-	-	-	-	-	145,921
Kitchen equipment	-	-	-	195,189	-	-	-	-	-	-	-	-	-	195,189
Accumulated depreciation - kitchen	-	-	-	(123,609)	-	-	-	-	-	-	-	-	-	(123,609)
OTHER DEBITS														
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	-	386,810	-	-	-	-	-	386,810
Total assets and other debits	\$ 9,632,600	\$ 452,490	\$ 3,905,895	\$ 462,518	\$ 843	\$ 55,624	\$ 15,782,304	\$ 386,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,679,084

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

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED BALANCE SHEET (CONTINUED)
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency Funds	General Assets	Fixed	Long-term Debt	General	Long-term Debt	General		
													Fixed Assets	
LIABILITIES, FUND EQUITY AND OTHER CREDITS:														
Liabilities:														
Accrued wages and salaries	\$ 398,824	\$ 28,632	\$ -	\$ 8,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 435,504
Accrued employee benefits	155,859	8,029	-	2,998	-	-	-	-	-	-	244,622	-	-	411,508
Accrued workers' compensation	10,727	770	-	217	-	-	-	-	-	-	-	-	-	11,714
Claims payable	83,307	-	-	-	-	-	-	-	-	-	-	-	-	83,307
Interfund payable	-	120,000	-	-	-	-	-	-	-	-	-	-	-	120,000
Due to students	-	-	-	-	-	-	-	-	53,843	-	-	-	-	53,843
Deferred revenue	4,539,004	-	-	-	-	-	-	-	-	-	-	-	-	4,539,004
Note payable	-	-	-	-	-	-	-	-	-	-	142,188	-	-	142,188
Total liabilities	5,187,721	157,431	-	11,263	-	-	-	-	53,843	-	386,810	-	-	5,797,068
Fund Equity and Other Credits:														
Investment in general fixed assets	-	-	-	-	-	-	-	15,782,304	-	-	-	-	-	15,782,304
Retained earnings - unreserved	-	-	-	451,255	843	-	-	-	-	-	-	-	-	452,098
Fund balances:														
Property Tax Reserve	319,895	-	-	-	-	-	-	-	-	-	-	-	-	319,895
Reserved for prepaid	2,878	-	-	-	-	-	-	-	-	-	-	-	-	2,878
Reserved for encumbrances	207,985	31,417	3,275,944	-	-	-	-	-	-	-	-	-	-	3,515,346
Reserved for inventory	29,329	-	-	-	-	-	-	-	-	-	-	-	-	29,329
Reserved for budget stabilization	48,386	-	-	-	-	-	-	-	-	-	-	-	-	48,386
Unreserved, undesignated	3,836,406	263,642	629,951	-	-	-	-	-	1,781	-	-	-	-	4,731,780
Total fund equity and other credits	4,444,879	295,059	3,905,895	451,255	843	-	-	15,782,304	1,781	-	-	-	-	24,882,016
Total liabilities, fund equity and other credits	\$ 9,632,600	\$ 452,490	\$ 3,905,895	\$ 462,518	\$ 843	\$ 55,624	\$ 15,782,304	\$ 386,810	\$ 30,679,084					

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects Expendable Trust	
REVENUES:					
Taxes	\$ 4,778,786	\$ -	\$ -	\$ -	\$ 4,778,786
Interest	471,450	-	-	-	471,450
Intergovernmental	2,501,769	833,347	-	57,733	3,392,849
Charges for services	-	243,194	-	-	243,194
Miscellaneous	16,660	-	-	-	16,660
Total revenues	<u>7,768,665</u>	<u>1,076,541</u>	<u>-</u>	<u>57,733</u>	<u>8,902,939</u>
EXPENDITURES:					
Current:					
Instruction	3,077,567	606,924	-	-	3,684,491
Support services:					
Pupils	651,495	307,561	-	-	959,056
Instructional staff	21,537	34,598	-	-	56,135
Board of Education	31,258	-	-	-	31,258
Administration	972,309	517	-	-	972,826
Fiscal	483,946	-	-	-	483,946
Business	9,211	-	-	-	9,211
Operation and maintenance - plant	1,267,381	-	-	36,250	1,303,631
Pupil transportation	18,658	-	-	-	18,658
Central	93,856	72,451	-	-	166,307
Extracurricular activities	2,266	2,240	-	-	4,506
Non-instructional services	39,811	-	-	-	39,811
Capital outlay	468,032	-	-	587,258	1,055,290
Repayment of debt - principal	-	-	17,484	-	17,484
Repayment of debt - interest	-	-	5,988	-	5,988
Total expenditures	<u>7,137,327</u>	<u>1,024,291</u>	<u>23,472</u>	<u>623,508</u>	<u>8,808,598</u>
Excess (deficiency) of revenues over (under) expenditures	631,338	52,250	(23,472)	(565,775)	94,341
OTHER FINANCING SOURCES (USES):					
Sale of assets	86	-	-	-	86
Operating transfers in	-	30,000	23,472	450,000	503,472
Operating transfers out	(503,472)	-	-	-	(503,472)
Refund of prior year's expenditures/revenues	175,444	-	-	61,439	236,883
Total other financing sources (uses)	<u>(327,942)</u>	<u>30,000</u>	<u>23,472</u>	<u>511,439</u>	<u>236,969</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	303,396	82,250	-	(54,336)	331,310
BEGINNING FUND BALANCES	<u>4,141,483</u>	<u>212,809</u>	<u>-</u>	<u>3,960,231</u>	<u>8,316,304</u>
ENDING FUND BALANCES	<u>\$ 4,444,879</u>	<u>\$ 295,059</u>	<u>\$ -</u>	<u>\$ 3,905,895</u>	<u>\$ 8,647,614</u>

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

**AUBURN VOCATIONAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 4,811,239	\$ 4,811,239	\$ -
Earnings on investments	607,610	624,932	17,322
Classroom materials and fees	100	365	265
Charges for Services	-	-	-
Miscellaneous	-	16,192	16,192
Miscellaneous revenue from state sources	2,264,636	2,501,769	237,133
Miscellaneous revenue from federal sources	-	-	-
Total revenues	<u>7,683,585</u>	<u>7,954,497</u>	<u>270,912</u>
EXPENDITURES:			
Current			
Instruction:			
Special	259,170	246,467	12,703
Vocational	3,315,098	2,795,739	519,359
Adult continuing	-	-	-
Support services:			
Pupil	801,267	653,377	147,890
Instructional staff	61,500	55,564	5,936
Board of Education	45,260	32,758	12,502
Administration	1,107,572	1,001,094	106,478
Fiscal	535,794	482,505	53,289
Business	32,500	9,211	23,289
Operation and maintenance of plant	1,501,754	1,329,686	172,068
Pupil transportation	25,000	18,657	6,343
Central	128,600	106,339	22,261
Extracurricular activities	5,000	2,998	2,002
Non-instructional services:			
Food services	50,084	39,811	10,273
Community services	2,000	-	2,000
Capital outlay	550,000	529,843	20,157
Debt service	-	-	-
Total expenditures	<u>8,420,599</u>	<u>7,304,049</u>	<u>1,116,550</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(737,014)</u>	<u>650,448</u>	<u>1,387,462</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(526,944)	(503,472)	23,472
Advances in	-	199,653	199,653
Advances out	(60,000)	(60,000)	-
Sale and loss of assets	1,400	87	(1,313)
Repayment of debt	-	-	-
Refund of prior year expenditures	167,000	175,069	8,069
Total other financing uses	<u>(418,544)</u>	<u>(188,663)</u>	<u>229,881</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,155,558)</u>	<u>461,785</u>	<u>1,617,343</u>
FUND BALANCES - BEGINNING OF YEAR	3,576,550	3,576,550	-
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	115,981	115,981	-
FUND BALANCES - END OF YEAR	<u>\$ 2,536,973</u>	<u>\$ 4,154,316</u>	<u>\$ 1,617,343</u>

The accompanying notes are an integral part of the financial statements

Special Revenue Fund			Debt Service Fund			Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
396,865	243,294	(153,571)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
763,939	483,650	(280,289)	-	-	-	57,733	57,733	-
570,279	349,603	(220,676)	-	-	-	-	-	-
1,731,083	1,076,547	(654,536)	-	-	-	57,733	57,733	-
-	-	-	-	-	-	-	-	-
160,000	114,024	45,976	-	-	-	-	-	-
786,988	517,230	269,758	-	-	-	-	-	-
400,000	311,511	88,489	-	-	-	-	-	-
80,000	35,094	44,906	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
517	517	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	94,138	38,400	55,738
-	-	-	-	-	-	-	-	-
110,000	77,822	32,178	-	-	-	-	-	-
5,000	2,240	2,760	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	14,025	-	14,025
-	-	-	-	-	-	3,940,618	3,861,052	79,566
-	-	-	23,472	23,472	-	-	-	-
1,542,505	1,058,438	484,067	23,472	23,472	-	4,048,781	3,899,452	149,329
188,578	18,109	(170,469)	(23,472)	(23,472)	-	(3,991,048)	(3,841,719)	149,329
25,000	30,000	5,000	23,472	23,472	-	1,000,000	450,000	(550,000)
-	-	-	-	-	-	-	-	-
-	60,000	60,000	-	-	-	-	-	-
(170,000)	(149,653)	20,347	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	61,439	61,439
(145,000)	(59,653)	85,347	23,472	23,472	-	1,000,000	511,439	(488,561)
43,578	(41,544)	(85,122)	-	-	-	(2,991,048)	(3,330,280)	(339,232)
418,440	418,440	-	-	-	-	3,905,963	3,905,963	-
43,117	43,117	-	-	-	-	54,268	54,268	-
\$ 505,135	\$ 420,013	\$ (85,122)	\$ -	\$ -	\$ -	\$ 969,183	\$ 629,951	\$ (339,232)

**AUBURN VOCATIONAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2002**

	Expendable Trust Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Earnings on investments	-	-	-
Classroom materials and fees	-	-	-
Charges for Services	-	-	-
Miscellaneous	-	-	-
Miscellaneous revenue from state sources	-	-	-
Miscellaneous revenue from federal sources	-	-	-
Total revenues	-	-	-
EXPENDITURES:			
Current			
Instruction:			
Special	-	-	-
Vocational	-	-	-
Adult continuing	-	-	-
Support services:			
Pupil	-	-	-
Instructional staff	-	-	-
Board of Education	-	-	-
Administration	-	-	-
Fiscal	-	-	-
Business	-	-	-
Operation and maintenance of plant	-	-	-
Pupil transportation	-	-	-
Central	-	-	-
Extracurricular activities	-	-	-
Non-instructional services:			
Food services	-	-	-
Community services	1,780	-	1,780
Capital outlay	-	-	-
Debt service	-	-	-
Total expenditures	1,780	-	1,780
Excess (deficiency) of revenue over (under) expenditures	(1,780)	-	1,780
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
Advances in	-	-	-
Advances out	-	-	-
Sale and loss of assets	-	-	-
Repayment of debt	-	-	-
Refund of prior year expenditures	-	-	-
Total other financing uses	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,780)	-	1,780
FUND BALANCES - BEGINNING OF YEAR	1,781	1,781	-
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	-	-	-
FUND BALANCES - END OF YEAR	\$ 1	\$ 1,781	\$ 1,780

The accompanying notes are an integral part of the financial statements

Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,811,239	\$ 4,811,239	\$ -
607,610	624,932	17,322
100	365	265
396,865	243,294	(153,571)
-	16,192	16,192
3,086,308	3,043,152	(43,156)
570,279	349,603	(220,676)
<u>9,472,401</u>	<u>9,088,777</u>	<u>(383,624)</u>
259,170	246,467	12,703
3,475,098	2,909,763	565,335
786,988	517,230	269,758
1,201,267	964,888	236,379
141,500	90,658	50,842
45,260	32,758	12,502
1,108,089	1,001,611	106,478
535,794	482,505	53,289
32,500	9,211	23,289
1,595,892	1,368,086	227,806
25,000	18,657	6,343
238,600	184,161	54,439
10,000	5,238	4,762
50,084	39,811	10,273
17,805	-	17,805
4,490,618	4,390,895	99,723
23,472	23,472	-
<u>14,037,137</u>	<u>12,285,411</u>	<u>1,751,726</u>
<u>(4,564,736)</u>	<u>(3,196,634)</u>	<u>1,368,102</u>
1,048,472	503,472	(545,000)
(526,944)	(503,472)	23,472
-	259,653	259,653
(230,000)	(209,653)	20,347
1,400	87	(1,313)
-	-	-
167,000	236,508	69,508
<u>459,928</u>	<u>286,595</u>	<u>(173,333)</u>
(4,104,808)	(2,910,039)	1,194,769
7,902,734	7,902,734	-
213,366	213,366	-
<u>\$ 4,011,292</u>	<u>\$ 5,206,061</u>	<u>\$ 1,194,769</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	
OPERATING REVENUES:			
Tuition and fees	\$ 565,085	\$ -	\$ 565,085
Food service	102,646	-	102,646
Charges for services and materials	60,306	-	60,306
Total operating revenues	<u>728,037</u>	<u>-</u>	<u>728,037</u>
OPERATING EXPENSES:			
Salaries and wages	148,695	-	148,695
Fringe benefits	163,299	-	163,299
Contractual services	123,829	-	123,829
Cost of sales	261,677	-	261,677
Depreciation	10,469	-	10,469
Other operating expenses	4,475	731	5,206
Total operating expenses	<u>712,444</u>	<u>731</u>	<u>713,175</u>
Operating income (loss)	<u>15,593</u>	<u>(731)</u>	<u>14,862</u>
NON-OPERATING REVENUES:			
Operating grants	11,174	-	11,174
Miscellaneous	39,242	731	39,973
Total non-operating revenues	<u>50,416</u>	<u>731</u>	<u>51,147</u>
Net income	66,009	-	66,009
BEGINNING RETAINED EARNINGS	<u>385,246</u>	<u>843</u>	<u>386,089</u>
ENDING RETAINED EARNINGS	<u>\$ 451,255</u>	<u>\$ 843</u>	<u>\$ 452,098</u>

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Enterprise Fund		Internal Service Fund		Totals (Memorandum Only)		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	Budget	Actual	
OPERATING REVENUES							
Tuition and fees	\$639,000	\$570,779	\$ -	\$ -	\$639,000	\$570,779	\$ (68,221)
Food service	124,000	102,627	-	-	124,000	102,627	(21,373)
Charges for services/material:	101,550	61,149	-	-	101,550	61,149	(40,401)
Total operating revenue	864,550	734,555	-	-	864,550	734,555	(129,995)
OPERATING EXPENSES							
Salaries and wage:	152,262	142,026	-	-	152,262	142,026	10,236
Fringe benefits	163,462	163,299	-	-	163,462	163,299	163
Contractual services:	169,128	169,091	-	-	169,128	169,091	37
Supplies and material:	409,611	250,294	-	-	409,611	250,294	159,317
Capital outlay	50,107	50,107	-	-	50,107	50,107	-
Other operating expense:	11,674	4,475	3,600	731	2,869	5,206	10,068
Total operating expense:	956,244	779,292	3,600	731	2,869	959,844	179,821
Operating income (loss)	(91,694)	(44,737)	(3,600)	(731)	(95,294)	(45,468)	49,826
NON-OPERATING REVENUE							
Earnings on investment:	50	-	-	-	50	-	(50)
State sources:							
Restricted grants-in-aid	1,000	983	-	-	1,000	983	(17)
Federal sources	10,000	9,621	-	-	10,000	9,621	(379)
Unrestricted grants-in-aid	-	-	-	-	-	-	-
Refund of prior years expenditure	-	-	-	-	-	-	-
Advances-in	(50,000)	(50,000)	-	-	(50,000)	(50,000)	-
Advances-out	60,000	39,242	-	731	60,000	39,973	(20,027)
Miscellaneous	21,050	(154)	-	731	21,050	577	(20,473)
Total non-operating revenue	(70,644)	(44,891)	(3,600)	-	(74,244)	(44,891)	29,353
Excess of revenues over (under) expenses, advances and operating transf	331,068	331,068	-	842	331,910	331,910	-
FUND EQUITY - BEGINNING OF YEAR	37,153	37,153	-	-	37,153	37,153	-
PRIOR YEAR ENCUMBRANCE-APPROPRIATE							
FUND EQUITY - END OF YEAR	\$297,577	\$323,330	\$25,753	\$(2,758)	\$842	\$3,600	\$294,819
							\$29,353

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 15,593	\$ (731)	\$ 14,862
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:			
Depreciation	10,469	-	10,469
Donated consumables	937	-	937
Net (increase) decrease in assets:			
Accounts receivable	5,011	-	5,011
Inventory	2,199	-	2,199
Net increase (decrease) in liabilities:			
Accrued expenses	6,669	-	6,669
Interfund payable	(50,000)	-	(50,000)
Total adjustments	<u>(24,715)</u>	<u>-</u>	<u>(24,715)</u>
Net cash used in operating activities	<u>(9,122)</u>	<u>(731)</u>	<u>(9,853)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants received	10,237	-	10,237
Miscellaneous income	39,242	731	39,973
Net cash provided by non-capital financing activities	<u>49,479</u>	<u>731</u>	<u>50,210</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of kitchen equipment	<u>(37,764)</u>	<u>-</u>	<u>(37,764)</u>
Net cash provided by capital financing activities	<u>(37,764)</u>	<u>-</u>	<u>(37,764)</u>
Net increase in cash and cash equivalents	2,593	-	2,593
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>368,218</u>	<u>843</u>	<u>369,061</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 370,811</u>	<u>\$ 843</u>	<u>\$ 371,654</u>

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF THE DISTRICT

The Auburn Vocational School District (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. Auburn Vocational School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The District operates under an elected Board of Education (11 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 30, 2002 was 565. The District employed 211 certificated employees and 66 non-certificated employees

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", consists of a primary government and its component units. 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 assured the responsibility to finance the deficits of, or provide financial support, to the organizations; 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 a debt or the levying of taxes. The District has no component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service and maintenance of District facilities.

On this basis, the combined financial statements include all of the funds and account groups of the District over which the Board of Education exercises operating control. The District's financial statements include operations at Auburn Career Center and a community and home service program at Quail Hollow.

The District participates in two jointly governed organizations that are further described in the notes to the financial statements.

BASIS OF PRESENTATION

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

The financial transactions of the District are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "totals - memorandum only" columns in the general purpose financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different basis of accounting, interfund transactions that have not been eliminated and the caption "amounts to be provided", which does not represent an asset. Consequently, amounts shown in the "totals - memorandum only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the District.

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 accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period. The following are the District's governmental fund types:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements 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 debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Ohio law.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

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 following are the District's proprietary fund types:

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Enterprise Funds - The Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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 purpose.

Internal Service Funds - The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - The Trust and Agency Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include (a) Expendable Trust Funds, (b) Nonexpendable Trust Funds, and (c) Agency Funds.

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 Debt 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.

BASIS OF ACCOUNTING

Governmental and Fiduciary Fund Types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. Revenue items, which are susceptible to accrual and, therefore, are recorded as receivables, include property taxes and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation, which is not payable from current expendable financial resources.

Proprietary Fund Types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There were no unbilled service charges receivable at year end.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

BUDGETARY BASIS OF ACCOUNTING

The District is required by State statute to adopt an annual appropriated budget for all fund types except agency funds. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the Superintendent and the Treasurer submits 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.
2. By no later than January 20, the board-adopted budget is filed with the Lake County Budget Commission (the "Commission") for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is to be employed as a management control device during the year for all funds consistent with statutory provision.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

7. Appropriation amounts are amended by the Board of Education through the year by supplemental appropriations, which either reallocate or increase the original appropriated amounts.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

The District's budget (budget basis) accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is susceptible to accrual for GAAP purposes.

An analysis of the difference in fund balance for all governmental fund types at June 30, 2002 as determined under the GAAP basis and budget basis follows:

Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
GAAP basis	\$ 303,396	\$ 82,250	\$ --	\$ (54,336)	\$ --
Increase (decrease) due to:					
Revenue accruals	185,458	6	--	--	--
Expenditure accruals	41,263	(2,730)	--	--	--
Advances in	199,653	60,000	--	--	--
Advances out	(60,000)	(149,653)	--	--	--
Net impact of encumbrances on budget basis expenditures	<u>(207,985)</u>	<u>(31,417)</u>	<u>--</u>	<u>(3,275,944)</u>	<u>--</u>
Budget basis	<u>\$ 461,785</u>	<u>\$ (41,544)</u>	<u>\$ --</u>	<u>\$ (3,330,280)</u>	<u>\$ --</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Encumbrances are reported as a reservation of fund balance in all Governmental and Fiduciary Fund Types.

CASH AND CASH EQUIVALENTS

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 investments" on the combined balance sheet.

During fiscal year 2002, investments were limited to STAR Ohio, repurchase agreement, certificate of deposits, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corp. and Federal National Mortgage Association. All investments of the District had a maturity of five years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Assets Reserve (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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$ 471,450.

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 original maturity of more than three months that are not made from the pool are considered to be investments.

RESTRICTED CASH

Restricted assets in the general fund represent cash and cash equivalents set aside to establish statutory stabilization reserves. These reserves are required by State statute and can be used only for qualifying expenditures or after receiving approval from the State. Fund balance reserves have also been established.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE RESERVES

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for materials and supplies inventory, tax revenue unavailable for appropriation, budget stabilization and encumbrances. The unreserved portions of fund equity reflected for the Governmental Fund Types are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue for GAAP but not available for appropriation under state statute.

INVENTORY

Inventories are valued at cost, which approximates market, using the first-in, first-out method (FIFO) and are determined by physical count. Inventory in Governmental Fund Types consists of expendable supplies held for consumption. The cost of inventory items is recognized as an expenditure when used (consumption method). Reported inventories in the general fund are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items.

FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - 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 an estimated historical cost when no historical cost records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The District follows the policy of not capitalizing assets with a cost of less than \$ 2,000. The costs or normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized. The District does not possess any infrastructure.

Proprietary Funds - Equipment reflected in the Proprietary Funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed equipment is recorded at its fair market value as of the date donated. Depreciation has been provided on a straight-line basis for equipment over the following useful lives:

<u>Asset</u>	<u>Life (Years)</u>
Fixed equipment	10
Furniture, fixtures and minor equipment	5 - 15
Vehicles	5 - 15

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

DEFERRED REVENUE

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

EXPENSES/EXPENDITURES

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTERFUND TRANSACTIONS

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services and improve assets. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is based on the intent of the District at the time of the transaction.

LONG-TERM DEBT

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligation is reported in the general long-term debt account group.

FUND BALANCE RESERVES

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for prepaid expenses, materials and supplies inventory, budget stabilization and encumbrances. The unreserved portions of fund equity reflected for the Governmental Fund Types are available for use within the specific purposes of those funds.

DEFICIT FUND BALANCE

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

<u>Special Revenue Funds:</u>	<u>Deficit Fund Balance</u>
VEPB/Audit	\$ (795)
Adult Education	\$ (12,366)

The deficit balances in the Special Revenue Fund are caused by timing differences in the recording of revenues and accruing of expenditures.

EQUITY IN POOLED CASH AND CASH 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

EQUITY IN POOLED CASH AND CASH INVESTMENTS (CONTINUED)

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, as security for repayment by surety company, bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited 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 2% 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 banker's acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

EQUITY IN POOLED CASH AND CASH INVESTMENTS (CONTINUED)

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 until 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 June 30, 2002, the District's general fund had a balance of \$ 174,761 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool (See Note). The money is held by the claims servicer in a pooled account, which is representative of numerous entities and, therefore, cannot be classified by risk under GASB No. 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Mentor Exempted Village School District. To obtain financial information, write to Mr. James Metz, Treasurer, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3.

- (a) Deposits - At year end, the carrying amount of the District's deposits was \$ 2,180,016 and the bank balance was \$ 2,386,465. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 2,282,000
Collateralized with securities held by the pledging financial institution's trust department but not in the name of Auburn Vocational School District	\$ 104,465

- (b) Investments - Investments made by the District as of June 30, 2002 are summarized below and are recorded at fair value. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 - Insured or registered, or investments held by the District or its agents in the District's name.
- Category 2 - Uninsured and unregistered, with investments held by the counterparty's trust department or agent in the District's name.
- Category 3 - Uninsured and unregistered, with investments held by the counterparty, or by its trust department or agent, but not in the District's name.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

EQUITY IN POOLED CASH AND CASH INVESTMENTS (CONTINUED)

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Federal National Mortgage Association (Category 3)	\$ 1,609,046	\$ 1,606,889	\$ (2,157)
Federal Home Loan Mortgage Corporation (Category 3)	1,293,043	1,292,495	(548)
Federal Home Loan Bank Note (Category 3)	2,296,122	2,299,491	3,369
Federal Farm Credit Bank (Category 3)	201,724	203,562	1,838
Investment in STAR Ohio	1,301,204	1,301,204	--
Repurchase agreements (Category 3)	<u>262,041</u>	<u>262,041</u>	<u>--</u>
Total	<u>\$ 6,963,180</u>	<u>\$ 6,965,682</u>	<u>\$ 2,502</u>

PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1996.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended June 30, 2002 was \$ 1.50 per \$ 1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 1.50 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 1.50 per \$ 1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reduction is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2002 was \$ 1.50 per \$ 1,000 of assessed valuation.

	<u>Lake County</u>	<u>Geauga County</u>
Real Property - 2002 valuation		
Residential/Agricultural	\$ 1,255,659,120	\$ 1,233,556,700
Commercial/Industrial	<u>341,465,880</u>	<u>184,505,110</u>
	1,597,125,000	1,418,061,810
Tangible Personal Property		
General	186,284,924	144,918,320
Public Utilities	<u>207,775,680</u>	<u>51,278,220</u>
	<u>394,060,604</u>	<u>196,196,540</u>
Total valuation	<u>\$ 1,991,185,604</u>	<u>\$ 1,614,258,350</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

PROPERTY TAXES (CONTINUED)

The County Treasurer collects property tax on behalf of all taxing districts within the county. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2002 was \$ 319,895.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

RESTATEMENT OF FUND EQUITY

In 2001, \$ 82,687 of furniture and equipment was erroneously omitted from the financial statements. In addition, \$ 31,102 of fixed assets was reclassified to the Enterprise Fund. As a result, the general fixed asset group increased \$ 51,585. There was no change to the Enterprise Fund, retained earnings or to net income for 2001.

FIXED ASSETS

A summary of the Enterprise Funds' fixed assets at June 30, 2002 follows:

Furniture and equipment	\$ 195,189
Less accumulated depreciation	<u>123,609</u>
Net fixed assets	<u>\$ 71,580</u>

Depreciation expense recognized in the Enterprise Fund totaled \$ 10,469.

A summary of the changes in the general fixed assets follows:

	Balance June 30, 2001 As Originally Reported		Balance June 30, 2001 As Restated		Balance June 30, 2002
	Restatement	As Restated	Additions	Disposals	
Land and improvements	\$ (5,250)	\$ 795,856	\$ 237,100	\$ --	\$ 1,032,956
Building and improvements	(218,390)	8,973,074	11,547	--	8,984,621
Furniture and equipment	283,123	5,278,987	330,481	7,461	5,602,007
Vehicles	--	145,921	--	--	145,921
Catering kitchen equipment	(7,898)	16,799	--	--	16,799
Total	<u>\$ 51,585</u>	<u>\$ 15,210,637</u>	<u>\$ 579,128</u>	<u>\$ 7,461</u>	<u>\$ 15,782,304</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the food service operations, adult education program operated on a tuition basis, uniform school supplies sales and Rotary special services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the Auburn Vocational School District for the year ended June 30, 2002:

	Food Service	Adult Education	Uniform School Supplies	Rotary Special Services	Total
Operating revenues	\$ 102,646	\$ 565,085	\$ 60,306	\$ --	\$ 728,037
Operating expenses before depreciation	\$ 114,025	\$ 481,276	\$ 69,508	\$ 37,166	\$ 701,975
Depreciation	\$ 316	\$ 10,042	\$ --	\$ 111	\$ 10,469
Operating income (loss)	\$ (11,695)	\$ 73,767	\$ (9,202)	\$ (37,277)	\$ 15,593
Operating grants	\$ 11,174	\$ --	\$ --	\$ --	\$ 11,174
Miscellaneous	\$ --	\$ --	\$ --	\$ 39,242	\$ 39,242
Net income (loss)	\$ (521)	\$ 73,767	\$ (9,202)	\$ 1,965	\$ 66,009
Net working capital	\$ 3,853	\$ 201,890	\$ 85,646	\$ 88,286	\$ 379,675
Total assets	\$ 5,022	\$ 283,564	\$ 85,646	\$ 88,286	\$ 462,518
Total liabilities	\$ --	\$ 11,263	\$ --	\$ --	\$ 11,263
Total equity	\$ 5,022	\$ 272,301	\$ 85,646	\$ 88,286	\$ 451,255

DEFINED BENEFIT PENSION PLANS

School Employees Retirement System - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. For fiscal year 2001 (latest information available), 4.2% 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 adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$ 101,492, \$ 108,219 and \$ 102,512, respectively, equal to the required contributions for each year.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

DEFINED BENEFIT PENSION PLANS (CONTINUED)

State Teachers Retirement System - The District contributes 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 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 for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for fiscal year 2001 (latest information available); 9.5% 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% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$ 500,676, \$ 488,200 and \$ 465,957, respectively, equal to the required contributions for each year.

POST EMPLOYMENT 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-certificated 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 obligations 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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% of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$ 160,931 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 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 fiscal years of qualifying service credit, and to 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.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

POST EMPLOYMENT BENEFITS (CONTINUED)

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2001, the minimum pay was established at \$ 12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$ 79,104.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$ 161,439,934 and the target level was \$ 242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$ 315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees on June 1 of each year. Accumulated unused vacation is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual workdays per contract plus ninety. Upon retirement, payment is made for one-fourth of the total sick leave accumulation up to 260 days, or a maximum of 65 days.

According to GASB Statement 16, " Accounting for Compensating Absences", accumulated vacation and sick leave of Governmental Fund type employees meeting the eligibility requirements have been recorded in the appropriate Governmental Funds as a current liability to the extent that the amounts are expected to be payable within the current period. The balance of the liability is recorded in the General Long-Term Debt Account Group. Vacation and sick leave for employees paid from Proprietary Funds is recorded as an expense when earned or accrued. The District calculates sick leave using the vesting method based on accumulated benefits as of June 30, 2002.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

NOTES PAYABLE

The District borrowed \$ 192,767 on June 1, 1999 for energy conservation at 3.75% with a maturity date of July 1, 2009. Future debt requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 18,140	\$ 5,332	\$ 23,472
2005	18,820	4,652	23,472
2006	19,525	3,946	23,471
2007	20,258	3,214	23,472
2008	21,017	2,454	23,471
2009	21,805	1,666	23,471
2010	<u>22,623</u>	<u>848</u>	<u>23,471</u>
	<u>\$ 142,188</u>	<u>\$ 22,112</u>	<u>\$ 164,300</u>

LONG-TERM DEBT

The non-current portion of compensated absences is summarized below. Compensated absences will be paid from the fund from which the person is paid.

	<u>Balance June 30, 2001</u>	<u>Increase (Decrease)</u>	<u>Balance June 30, 2002</u>
Compensated absences	\$ 173,898	\$ 70,724	\$ 244,622
Note payable	<u>159,672</u>	<u>(17,484)</u>	<u>142,188</u>
Total long-term debt	<u>\$ 333,570</u>	<u>\$ 53,240</u>	<u>\$ 386,810</u>

INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002 consist of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 120,000	\$ --
Special Revenue Fund	--	120,000
	<u>\$ 120,000</u>	<u>\$ 120,000</u>

A summary of interfund transfers made during 2002 by fund is as follows:

	<u>Transferred To</u>	<u>Transferred From</u>
General Fund	\$ --	\$ 503,472
Special Revenue Fund	30,000	--
Capital Projects Fund	450,000	--
Debt Service Fund	<u>23,472</u>	<u>--</u>
	<u>\$ 503,472</u>	<u>\$ 503,472</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

JOINTLY GOVERNED ORGANIZATIONS

The Lake-Geauga Computer Association (LGCA) is a jointly governed organization among two county consortiums of Ohio 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 districts. Each of the governments of these schools supports LGCA based on a per pupil charge. The District contributed \$ 48,180 to LGCA during fiscal year 2002. LGCA is governed by an Assembly consisting of two representatives from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Financial information can be obtained from Lake Geauga Computer Association, 8140 Auburn Road, Painesville, OH 44077.

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2002, the District paid \$ 1,500 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Independence, Ohio 44131.

The District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a nonprofit corporation with a self-appointing board, issued \$ 119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

CLAIMS SERVICING POOL

Lake County Council of Governments Health Care Benefits Program (HCBP) Self-Insurance Program - The District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self-Insurance Program, a claims servicing pool, comprised of eleven members. Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five-member Board of Directors elected from the HCBP's assembly. All participating members retain their risk and the Plan acts as the claims servicing agent.

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. During fiscal year 2002, the District contracted with Nationwide Insurance Co. for property and general liability insurance. There is a \$ 500 deductible with a 90% co-insurance.

Umbrella liability is protected by Nationwide Insurance with a \$ 5,000,000 single occurrence limit with a \$ 10,000 deductible. Vehicles are also covered by Nationwide Insurance and have a \$ 500 deductible for comprehensive collision. Automobile liability has a \$ 2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years.

The District has elected to provide medical coverage through a self-insured program. The District uses the general fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110% of expected claims. The claims liability of \$ 83,307 reported in the general fund at June 30, 2002 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount was:

	Balance at Beginning <u>of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at End of <u>Year</u>
2002	\$ 84,170	\$ 446,742	\$ 447,605	\$ 83,307
2001	\$ 38,214	\$ 448,197	\$ 402,241	\$ 84,170

OSBA GROUP RATING PROGRAM

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

OSBA GROUP RATING PROGRAM (CONTINUED)

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 percentage 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 GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

STATE SCHOOL FUNDING DECISION

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

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

CONTINGENT LIABILITIES

The District receives significant financial assistance from numerous federal, state and local 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

The District was named as defendant in court actions during the period ended June 30, 2002. Management does not believe that the ultimate resolution of these cases will have a material impact on the general purpose financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

PROPERTY TAX REFUNDS

On November 6, 1999, the Ohio Board of Tax Appeals issued its decision in the case of Duquesne Light Company, an electric utility and part owner of the Perry Nuclear Power Plant. The decision ordered personal property refunds based on reduction in taxable value of about \$ 145 million. This decision was immediately appealed to the Ohio Supreme Court.

The implications raised by Duquesne are far reaching and can result in refund claims for 1988 - 1993 and additional claims being filed by other electric companies and other utilities. As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on tax revenue or possible payments of tax refunds.

STATUTORY RESERVES

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

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, July 1, 2001	\$ --	\$ --	\$ 48,386	\$ 48,386
Required set-aside	41,712	41,712	--	83,424
Qualifying expenditures	<u>(441,353)</u>	<u>(623,508)</u>	<u>--</u>	<u>(1,064,861)</u>
Balance, June 30, 2002	<u>\$(399,641)</u>	<u>\$ (581,796)</u>	<u>\$ 48,386</u>	<u>\$ (933,051)</u>
Set aside balance carried forward to future fiscal years	<u>\$(399,641)</u>	<u>\$ --</u>	<u>\$ 48,386</u>	<u>\$ (351,255)</u>
Set aside reserve balance as of June 30, 2002	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 48,386</u>	<u>\$ 48,386</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The non-BWC (Bureau of Workers' Compensation) portion of monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the General Fund. On August 15, 2001, the Board passed a resolution authorizing the transfer of the non-BWC portion of the budget stabilization reserve to the General Fund unreserved/undesignated fund balance. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

Although the District had qualifying expenditures during the year that reduced the set-aside amounts to below zero, only the excess expenditures for the textbook reserve can be carried forward to the next fiscal year.

This page intentionally left blank.

**AUBURN CAREER CENTER
LAKE COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	-	\$2,180	-	\$2,180
School Breakfast Program	051169-05PU-2001	10.553	56	-	56	-
	051169-05PU-2002	10.553	1,222	-	1,222	-
			1,278	-	1,278	-
National School Lunch Program	051169-LLP4-2001	10.555	969	-	969	-
	051169-LLP4-2002	10.555	7,212	-	7,212	-
			8,181	-	8,181	-
Special Milk Program	051169-02PU-2000	10.556	29	-	29	-
	051169-02PU-2000	10.556	140	-	140	-
			169	-	169	-
Total U.S. Department of Agriculture - Nutrition Cluster			9,628	2,180	9,628	2,180
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Pell Grant	N/A	84.063	26,414	-	26,414	-
Adult and Community Education	051169-ABS1-00	84.002	-	-	547	-
	051169-ABS1-01	84.002	-	-	7,355	-
	051169-ABSL-01	84.002	-	-	4,113	-
	051169-ABS1-2002	84.002	14,645	-	25,442	-
	051169-ABSL-2002	84.002	18,289	-	18,289	-
			32,934	-	55,746	-
Vocational Education Basic Grants to States	051169-20A0-2002	84.048	18,360	-	-	-
	051169-20C1-2001	84.048	82,255	-	95,778	-
	051169-20C1-2002	84.048	179,910	-	249,438	-
	051169-20C2-2002	84.048	49,414	-	50,209	-
Total Vocational Education Basic Grants to States			329,939	-	395,425	-
Eisenhower Professional Development Grant	051169-MSS1-2002	84.281	852	-	-	-
Innovative Education Program Strategies Grant	055169-C2S1-1994	84.298	-	-	193	-
	055169-C2S1-1995	84.298	-	-	153	-
	055169-C2S1-2002	84.298	523	-	-	-
	055169-C2S1-99C	84.298	-	-	255	-
Total Innovative Education Program Strategies Grant			523	-	601	-
Total U.S. Department of Education			390,662	-	478,186	-
Totals			\$400,290	\$2,180	\$487,814	\$2,180

The accompanying notes to this schedule are an integral part of this schedule.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal awards 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 grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

CFDA – Catalog of Federal Domestic Assistance

N/A – Not applicable



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Building
615 Superior Avenue, NW.
Twelfth Floor
Cleveland, Ohio 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

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

Board of Education
Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

We have audited the financial statements of the Auburn Vocational School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the District in a separate letter dated December 10, 2002.

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

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

Jim Petro
Auditor of State

December 10, 2002



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Building
615 Superior Avenue, NW.
Twelfth Floor
Cleveland, Ohio 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

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

Board of Education
Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

Compliance

We have audited the compliance of the Auburn Vocational School District, Lake County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of 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 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 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.

Auburn Vocational School District
Lake County
Report on Compliance With Requirements Applicable to Its Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

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, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 10, 2002

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
JUNE 30, 2002**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

AUBURN VOCATIONAL SCHOOL DISTRICT

LAKE 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, 2003**