



**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Medina County Joint Vocational School District
Medina County
1101 West Liberty Street
Medina, Ohio 44256-3842

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Medina County Joint Vocational School District, Medina 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 District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 6, the District restated its Proprietary Enterprise Fund fixed assets by \$49,191.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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 Receipts and Expenditures of Federal Awards 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 30, 2002

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MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types		Proprietary Fund Types	
	General	Special Revenue	Enterprise	Internal Service
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,097,764	\$ 110,728	\$ 102,798	\$ 233
Cash and Cash Equivalents - Restricted	81,924	0	0	0
Receivables:				
Taxes	6,071,931	0	0	0
Interfund	361,904	0	1,200	0
Intergovernmental Receivable	62,277	265,418	0	0
Inventory	90,456	0	37,499	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	64,121	0
Total Assets	8,766,256	376,146	205,618	233
Other Debits				
Amount to be Provided from General				
Government Resources	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	\$ 8,766,256	\$ 376,146	\$ 205,618	\$ 233
Liabilities, Fund Equity, and Other Credits				
Liabilities				
Accounts Payable	\$ 157,884	\$ 27,952	\$ 6,396	\$ 0
Accrued Wages and Benefits	804,666	28,300	43,357	0
Compensated Absences Payable	50,750	0	60,645	0
Interfund Payable	0	161,904	200,000	0
Intergovernmental Payable	289,167	12,587	23,998	0
Deferred Revenue	5,853,875	149,588	0	0
Undistributed Monies	0	0	0	0
Notes Payable	450,000	0	0	0
Total Liabilities	7,606,342	380,331	334,396	0
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	47,516	0
Retained Earnings (Accumulated Deficit):				
Unreserved	0	0	(176,294)	233
Fund Balance:				
Reserved for Encumbrances	266,444	13,380	0	0
Reserved for Inventory	90,456	0	0	0
Reserved for Property Taxes	218,056	0	0	0
Reserved for Bureau of Workers' Comp Refunds	81,924	0	0	0
Unreserved:				
Undesignated	503,034	(17,565)	0	0
Total Fund Equity, and Other Credits	1,159,914	(4,185)	(128,778)	233
Total Liabilities, Fund Equity, and Other Credits	\$ 8,766,256	\$ 376,146	\$ 205,618	\$ 233

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	Trust and Agency	General Fixed Assets	
\$ 94,141	\$ 0	\$ 0	\$ 2,405,664
0	0	0	81,924
0	0	0	6,071,931
0	0	0	363,104
0	0	0	327,695
0	0	0	127,955
0	13,736,731	0	13,800,852
<u>94,141</u>	<u>13,736,731</u>	<u>0</u>	<u>23,179,125</u>
0	0	1,208,600	1,208,600
0	0	1,208,600	1,208,600
<u>\$ 94,141</u>	<u>\$ 13,736,731</u>	<u>\$ 1,208,600</u>	<u>\$ 24,387,725</u>
\$ 0	\$ 0	\$ 0	\$ 192,232
0	0	0	876,323
0	0	1,202,995	1,314,390
1,200	0	0	363,104
0	0	5,605	331,357
0	0	0	6,003,463
69,668	0	0	69,668
0	0	0	450,000
<u>70,868</u>	<u>0</u>	<u>1,208,600</u>	<u>9,600,537</u>
0	13,736,731	0	13,736,731
0	0	0	47,516
0	0	0	(176,061)
0	0	0	279,824
0	0	0	90,456
0	0	0	218,056
0	0	0	81,924
<u>23,273</u>	<u>0</u>	<u>0</u>	<u>508,742</u>
<u>23,273</u>	<u>13,736,731</u>	<u>0</u>	<u>14,787,188</u>
<u>\$ 94,141</u>	<u>\$ 13,736,731</u>	<u>\$ 1,208,600</u>	<u>\$ 24,387,725</u>

MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Fund

For the Year Ended June 30, 2002

	Governmental Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Revenues				
Taxes	\$ 5,698,086	\$ 0	\$ 0	\$ 5,698,086
Intergovernmental	4,868,117	714,715	0	5,582,832
Investment Income	58,450	0	0	58,450
Tuition and Fees	97,202	0	0	97,202
Rentals	3,331	0	0	3,331
Charges for Services	106,921	0	0	106,921
Miscellaneous	3,000	45,017	19,547	67,564
Total Revenues	10,835,107	759,732	19,547	11,614,386
Expenditures				
Current:				
Instruction				
Regular	2,017,212	0	0	2,017,212
Special	154,876	0	0	154,876
Vocational	4,148,841	218,053	0	4,366,894
Adult Continuing	0	123,243	0	123,243
Support Services:				
Pupils	716,756	302,794	0	1,019,550
Instructional Staff	235,563	140,553	0	376,116
Board of Education	27,650	0	0	27,650
Administration	921,192	12,909	0	934,101
Fiscal	382,796	0	0	382,796
Business	260,597	0	0	260,597
Operation and Maintenance of Plant	1,074,920	0	0	1,074,920
Pupil Transportation	26,311	0	0	26,311
Central	98,112	25,701	0	123,813
Operation of Non-Instructional Services	19,240	0	128	19,368
Extracurricular Activities	0	1,919	5,336	7,255
Capital Outlay	247,857	0	0	247,857
Debt Service:				
Interest and Fiscal Charges	27,825	0	0	27,825
Total Expenditures	10,359,748	825,172	5,464	11,190,384
Excess of Revenues Over (Under) Expenditures	475,359	(65,440)	14,083	424,002
Other Financing Sources (Uses)				
Proceeds from Sales of Fixed Assets	260	0	0	260
Operating Transfers In	65,367	0	0	65,367
Operating Transfers Out	(220,000)	0	0	(220,000)
Total Other Financing Sources (Uses)	(154,373)	0	0	(154,373)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	320,986	(65,440)	14,083	269,629
Fund Balance at Beginning Of Year	841,837	61,255	9,190	912,282
Increase (Decrease) in Reserve for Inventory	(2,909)	0	0	(2,909)
Fund Balance (Deficit) at End of Year	\$ 1,159,914	\$ (4,185)	\$ 23,273	\$ 1,179,002

See accompanying notes to the general purpose financial statements.

MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*

**All Governmental Fund Types and Expendable Trust Fund
(Non-GAAP Budgetary Basis)**

For the Year Ended June 30, 2002

GENERAL FUND

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 5,699,914	\$ 5,699,914	\$ 0
Intergovernmental	4,883,989	4,883,989	0
Investment Income	58,450	58,450	0
Tuition and Fees	38,500	38,500	0
Rentals	3,331	3,331	0
Charges for Services	106,921	106,921	0
Miscellaneous	5,729	5,729	0
Total Revenues	10,796,834	10,796,834	0
Expenditures			
Current:			
Instruction	6,363,449	6,363,449	0
Support Services:			
Pupils	699,618	699,618	0
Instructional Staff	257,087	257,087	0
Board of Education	28,318	28,318	0
Administration	940,198	940,198	0
Fiscal	391,632	391,632	0
Business	261,058	261,058	0
Operation and Maintenance of Plant	1,121,136	1,121,136	0
Pupil Transportation	26,596	26,596	0
Central	114,381	114,381	0
Operation of Non-Instructional Services	38,354	38,354	0
Extracurricular Activities	0	0	0
Capital Outlay	392,349	392,349	0
Debt Service:			
Principal Retirement	150,000	150,000	0
Interest and Fiscal Charges	27,825	27,825	0
Total Expenditures	10,812,001	10,812,001	0
Excess of Revenues Over (Under) Expenditures	(15,167)	(15,167)	0
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	3,538	3,538	0
Refund of Prior Year Receipts	0	0	0
Other Financing Sources	0	0	0
Advances In	286,165	286,165	0
Advances Out	(362,800)	(362,800)	0
Operating Transfers In	65,367	65,367	0
Operating Transfers Out	(220,000)	(220,000)	0
Total Other Financing Sources (Uses)	(227,730)	(227,730)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(242,897)	(242,897)	0
Fund Balance at Beginning of Year	1,626,064	1,626,064	0
Prior Year Encumbrances Appropriated	372,194	372,194	0
Fund Balance at End of Year	\$ 1,755,361	\$ 1,755,361	\$ 0

(continued)

See accompanying notes to the general purpose financial statements.

MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*
All Governmental Fund Types and Expendable Trust Fund
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

	SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	619,871	619,871	0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Rentals	0	0	0
Charges for Services	0	0	0
Miscellaneous	45,162	45,162	0
Total Revenues	665,033	665,033	0
Expenditures			
Current:			
Instruction	352,372	352,372	0
Support Services:			
Pupils	317,286	317,286	0
Instructional Staff	138,932	138,932	0
Board of Education	0	0	0
Administration	12,909	12,909	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	25,701	25,701	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	2,183	2,183	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	849,383	849,383	0
Excess of Revenues Over (Under) Expenditures	(184,350)	(184,350)	0
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	(145)	(145)	0
Other Financing Sources	45,226	45,226	0
Advances In	162,800	162,800	0
Advances Out	(35,740)	(35,740)	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	172,141	172,141	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(12,209)	(12,209)	0
Fund Balance at Beginning of Year	71,093	71,093	0
Prior Year Encumbrances Appropriated	10,511	10,511	0
Fund Balance at End of Year	\$ 69,395	\$ 69,395	\$ 0

See accompanying notes to the general purpose financial statements.

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 0	\$ 0	\$ 0		\$ 5,699,914	\$ 5,699,914	\$ 0	
0	0	0		5,503,860	5,503,860	0	
0	0	0		58,450	58,450	0	
0	0	0		38,500	38,500	0	
0	0	0		3,331	3,331	0	
0	0	0		106,921	106,921	0	
19,547	19,547	0		70,438	70,438	0	
19,547	19,547	0		11,481,414	11,481,414	0	
0	0	0		6,715,821	6,715,821	0	
0	0	0		1,016,904	1,016,904	0	
0	0	0		396,019	396,019	0	
0	0	0		28,318	28,318	0	
0	0	0		953,107	953,107	0	
0	0	0		391,632	391,632	0	
0	0	0		261,058	261,058	0	
0	0	0		1,121,136	1,121,136	0	
0	0	0		26,596	26,596	0	
0	0	0		140,082	140,082	0	
128	128	0		38,482	38,482	0	
28,082	5,776	22,306		30,265	7,959	22,306	
0	0	0		392,349	392,349	0	
0	0	0		150,000	150,000	0	
0	0	0		27,825	27,825	0	
28,210	5,904	22,306		11,689,594	11,667,288	22,306	
(8,663)	13,643	22,306		(208,180)	(185,874)	22,306	
0	0	0		3,538	3,538	0	
0	0	0		(145)	(145)	0	
0	0	0		45,226	45,226	0	
0	0	0		448,965	448,965	0	
0	0	0		(398,540)	(398,540)	0	
0	0	0		65,367	65,367	0	
0	0	0		(220,000)	(220,000)	0	
0	0	0		(55,589)	(55,589)	0	
(8,663)	13,643	22,306		(263,769)	(241,463)	22,306	
9,180	9,180	0		1,706,337	1,706,337	0	
450	450	0		383,155	383,155	0	
\$ 967	\$ 23,273	\$ 22,306		1,825,723	\$ 1,848,029	\$ 22,306	

MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Combined Statement of Revenues,
Expenses, and Changes in Retained Earnings/(Accumulated Deficit)
All Proprietary Fund Types*

For the Year Ended June 30, 2002

	Proprietary Fund Types		
	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues</u>			
Tuition	\$ 549,139	\$ 0	\$ 549,139
Sales	163,937	0	163,937
Employee Contributions	0	4,089	4,089
Home Sale	198,493	0	198,493
Other Operating Revenues	40,968	0	40,968
Total Operating Revenues	952,537	4,089	956,626
<u>Operating Expenses</u>			
Salaries	687,245	0	687,245
Fringe Benefits	249,184	5,939	255,123
Purchased Services	195,504	345	195,849
Materials and Supplies	179,725	0	179,725
Depreciation	22,511	0	22,511
Other Operating Expenses	161,958	0	161,958
Total Operating Expenses	1,496,127	6,284	1,502,411
Operating Income (Loss)	(543,590)	(2,195)	(545,785)
<u>Non-Operating Revenues (Expenses)</u>			
Operating Grants	410,948	0	410,948
Total Non-Operating Revenues (Expenses)	410,948	0	410,948
Income (Loss) Before Operating Transfers	(132,642)	(2,195)	(134,837)
Operating Transfers In	195,000	0	195,000
Operating Transfers Out	(40,367)	0	(40,367)
Net Income (Loss)	21,991	(2,195)	19,796
Depreciation on Fixed Assets Acquired By Contributed Capital	20,757	0	20,757
Retained Earnings/(Accumulated Deficit) at Beginning of Year	(219,042)	2,428	(216,614)
Retained Earnings/(Accumulated Deficit) at End of Year	(176,294)	233	(176,061)
Contributed Capital at Beginning of Year	47,516	0	47,516
Total Fund Equity at End of Year	\$ (128,778)	\$ 233	\$ (128,545)

See accompanying notes to the general purpose financial statements.

MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Combined Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 1,046,265	\$ 0	\$ 1,046,265
Cash Received from Quasi-External Transactions with Other Funds	0	4,089	4,089
Cash Paid for Goods and Services	(548,125)	0	(548,125)
Cash Paid to Employees	(978,645)	0	(978,645)
Cash Paid for Claims	0	(8,810)	(8,810)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(480,505)	(4,721)	(485,226)
<u>Cash Flows From Non-Capital Financing Activities</u>			
Grants	423,423	0	423,423
Advances from Other Funds	200,000	0	200,000
Advances to Other Funds	(250,425)	0	(250,425)
Net Transfers To/From Other Funds	154,633	0	154,633
<i>Net Cash Provided By (Used For) Non-Capital Activities</i>	527,631	0	527,631
<u>Cash Flows From Capital and Related Financing Activities</u>			
Purchase of Property	(34,080)	0	(34,080)
<i>Net Cash Provided By (Used For) Capital Activities</i>	(34,080)	0	(34,080)
Net Increase (Decrease) in Cash and Cash Equivalents	13,046	(4,721)	8,325
Cash and Cash Equivalents at Beginning of Year	89,752	4,954	94,706
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 102,798</u>	<u>\$ 233</u>	<u>\$ 103,031</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</u>			
Operating Income (Loss)	\$ (543,590)	\$ (2,195)	\$ (545,785)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Depreciation	22,511	0	22,511
(Increase) Decrease in Assets			
Accounts Receivable	93,728	0	93,728
Inventory	6,879	0	6,879
Increase (Decrease) in Liabilities			
Accounts Payable	(17,817)	(2,526)	(20,343)
Accrued Wages and Benefits	(44,728)	0	(44,728)
Compensated Absences	4,082	0	4,082
Intergovernmental Payable	(1,570)	0	(1,570)
<i>Total Adjustments</i>	63,085	(2,526)	60,559
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (480,505)</u>	<u>\$ (4,721)</u>	<u>\$ (485,226)</u>

See accompanying notes to the general purpose financial statements.

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**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

Notes to the General Purpose Financial Statements
June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

The Medina County Joint Vocational School District (the District) is a school district corporation governed by an elected Board of Education. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District.

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

(B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

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

GOVERNMENTAL FUND TYPES

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and received 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 fiscal year end.

Non-exchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied, (see Note 10). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required

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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 School 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 and student fees.

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.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period are reported as deferred revenue

Expenditures - Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Governmental funds include the following fund types:

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

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

PROPRIETARY FUND TYPES

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

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Proprietary funds include the following fund types:

Enterprise Funds – used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is desirable for management accountability.

Internal Service Fund - accounts for operations that provide services to other departments or agencies of the District on a cost-reimbursement basis.

FIDUCIARY FUNDS

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

Expendable Trust Fund - is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

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

ACCOUNT GROUPS

The District maintains two account groups as described below:

General Fixed Assets Account Group - used to account for fixed assets acquired for general purposes other than those accounted for in proprietary or trust funds.

General Long-term Obligations Account Group - used to account for the outstanding principal balances of general obligation bonds, debt and other long-term obligations not reported in proprietary funds.

(C) DEPOSITS AND INVESTMENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

During fiscal year 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements.

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.

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The District has invested funds in STAROhio during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$58,450.

Purchased investments are valued at cost and do not affect fund equity when purchased or redeemed. They are reported at fair value, which is cost, in accordance with GASB No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

(D) *RECEIVABLES AND PAYABLES*

Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against real, public utility, and tangible personal property located in the District.

Outstanding loans between funds are presented in these accompanying financial statements as interfund receivables and interfund payables.

(E) *RESTRICTED ASSETS*

Restricted assets in the general fund represent cash and cash equivalents which is reserved for the refund from Bureau of Workers' Compensation. A fund balance reserve has also been established.

(F) *INVENTORIES*

Inventories are valued at cost using the first in/first out method. The costs of governmental fund type inventories are recorded as expenditures when purchased. Governmental fund type inventories, on hand at year-end, are offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of assets.

Proprietary fund type inventory costs are charged to operations when consumed.

(G) *FIXED ASSETS AND DEPRECIATION*

Fixed assets are stated on the basis of cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Infrastructure including driveways, sidewalks, parking lots; lighting systems, drainage systems, and landscaping are not capitalized. Interest costs are also not capitalized. Assets costing less than five hundred dollars (\$500) are not normally capitalized. The cost of normal maintenance and repairs is charged to operations as incurred. Assets in the general fixed assets account group are not depreciated. Proprietary fund assets are depreciated using the straight-line method over useful lives ranging from five to twenty years.

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(H) *COMPENSATED ABSENCES*

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, or sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place. Compensated absences are calculated using the termination method.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the general long-term obligations account group.

In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

Employees earn vacation in accordance with the following:

Administrators	Twenty days per year
Certificated	Ineligible for vacation
Non-Certificated	Ten to twenty-five days per year depending on years of service

Accumulated unpaid vacation is limited to the amount earned during one year. Employees are paid one hundred percent of their accumulated unpaid vacation when they terminate their employment for any reason.

Employees earn sick leave at the rate of one and one-quarter days per month and may accumulate up to 320 days. Employees with five or more years of service are paid at various rates upon termination of employment.

(I) *ESTIMATES*

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

(J) *FUND EQUITY*

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amounts that have been legally identified for specific purposes. Fund balance reserves are established for encumbrances, inventory, Bureau of Workers' Compensation (BWC) Refunds, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

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(K) *CONTRIBUTED CAPITAL*

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

(L) *TOTAL COLUMNS*

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

(A) *BUDGETARY PROCESS*

The Board of Education is required, by Ohio law, to adopt an annual budget for all funds, other than agency, in accordance with the following:

Budget

A budget of estimated cash receipts and disbursements is adopted by January 15 and submitted to the county auditor, as secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission certifies its actions to the District. As part of this certification the District receives the official Certificate of Estimated Resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to fiscal year end, the District must revise its budget so that the total contemplated expenditures from a fund during the year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual All Governmental Fund Types and Expendable Trust Fund (Non-GAAP Budgetary Basis)" do not include July 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the budgetary statements reflect the final budget figures. Budgetary statements are not presented for proprietary fund types.

Appropriations

Appropriations may be defined as expenditure authorization and are synonymous with budget within the Budget and Actual presentations. A temporary appropriation measure to control the cash disbursements may be passed prior to passage of the annual appropriation measure. An annual appropriation measure must be passed for the current fiscal year. The appropriation measure may be amended or supplemented during the year,

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as new information becomes available. The appropriated budget is prepared by fund level only for all funds, which is the legal level of budgetary control. Several amendments and supplements were enacted during the fiscal year. The amounts reported in the budgetary statements reflect final amended appropriations. Appropriations may not exceed estimated resources and expenditures plus encumbrances may not exceed appropriations at the legal level of control.

Encumbrances

The District is required, by Ohio law, to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. Encumbrances at year end have been presented as reserves of fund balances.

Budgetary Reporting

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

- 1) Revenues are recorded when received (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
- 4) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

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The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds and Expendable Trust Fund follow:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	General Fund	Special Revenue Fund	Expendable Trust
Budget Basis	\$ (242,897)	\$ (12,209)	\$ 13,643
Adjustments, increase (decrease)			
Revenue accruals	(251,170)	(113,327)	0
Expenditures accruals	390,725	18,764	440
Encumbrances	424,328	41,332	0
GAAP basis	\$ 320,986	\$ (65,440)	\$ 14,083

NOTE 3 – CASH AND INVESTMENTS

(A) CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund types' portion is displayed on the "Combined Balance Sheet - All Fund Types and Account Groups" as Equity in Pooled Cash and Cash Equivalents.

(B) LEGAL REQUIREMENTS

Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of monies held by the District into three categories, which determines the types of investments which can be made.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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Inactive monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 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; and
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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(C) *DEPOSITS*

At year end, the carrying amount of the District's deposits was \$(62,483) which includes \$100 petty cash and the bank balance was \$65,812 which was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

(D) *INVESTMENTS*

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or agent in the District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the financial institution's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which securities are held by the financial institution or by its trust department but not in the District's name. Investments in the State Treasurer's investment pool are not subject to categorization.

	Category 3	Fair Value
Repurchase Agreement	\$ 360,000	\$ 360,000
Investment in State Treasurer's Investment Pool		2,190,071
Total Investments		\$ 2,550,071

NOTE 4 – JOINTLY GOVERNED ORGANIZATIONS

(A) *LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (LEECA)*

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology to administrative and instructional functions among member districts. Each of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from LEECA's fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from LEECA's fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which the participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, LEECA's fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

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(B) *OHIO SCHOOLS' COUNCIL (OSC)*

The Ohio Schools' Council (OSC) is a jointly governed organization comprised of seventy-two school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, food service, and insurance. Each member provides operating resources to OSC via a monthly administrative fee and an actual usage charge, except for insurance.

The OSC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. OSC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools' Council at 8001 Brecksville Road, Brecksville, Ohio.

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

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

	Interfund	
	Receivable	Payable
General Fund	\$ 361,904	\$ 0
Special Revenue:		
MCDAC grant	0	3,500
Preschool	0	40,000
Able	0	15,000
Vocational education	0	103,404
Total Special Revenue	0	161,904
Enterprise Funds:		
Vocational education	1,200	0
Vocational rotary	0	200,000
Total Enterprise	1,200	200,000
Agency Fund	0	1,200
Total	\$ 363,104	\$ 363,104

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NOTE 6 – FIXED ASSETS

(A) *GENERAL FIXED ASSETS ACCOUNT GROUP*

The changes in general fixed assets during the year consisted of:

	Balance 6/30/01	Adjustment to Restate Balance	Restated Balance 6/30/01	Additions	Disposals	Balance 6/30/2002
Land	\$ 794,096	\$ 0	\$ 794,096	\$ 0	\$ 0	\$ 794,096
Buildings and Improvements	9,855,522	0	9,855,522	0	0	9,855,522
Furniture and Equipment	2,613,919	54,808	2,668,727	349,320	30,048	2,987,999
Vehicles	66,704	32,410	99,114	0	0	99,114
	<u>\$ 13,330,241</u>	<u>\$ 87,218</u>	<u>\$ 13,417,459</u>	<u>\$ 349,320</u>	<u>\$ 30,048</u>	<u>\$ 13,736,731</u>

During fiscal year 2002, it was determined that fixed assets were understated in the general fixed assets account group by \$87,218 which has been adjusted above. The enterprise funds were overstated by a net amount of \$49,191 as shown below.

(B) *PROPRIETARY FIXED ASSETS*

	Balance 6/30/01	Adjustment to Restate Balance	Restated Balance 6/30/01
Furniture and Equipment	\$ 336,415	\$ (207,950)	\$ 128,465
Less Accumulated Depreciation	<u>(234,672)</u>	<u>158,759</u>	<u>(75,913)</u>
	<u>\$ 101,743</u>	<u>\$ (49,191)</u>	<u>\$ 52,552</u>

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>Balance June 30, 2002</u>
Equipment	\$ 162,545
Less: accumulated depreciation	<u>(98,424)</u>
Net fixed assets	<u>\$ 64,121</u>

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NOTE 7 – CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2002, are as follows:

	<u>Adult Education</u>
Contributed Capital June 30, 2001	\$ 68,273
Less Depreciation Expense	<u>(20,757)</u>
Contributed Capital June 30, 2002	<u><u>\$ 47,516</u></u>

NOTE 8 – OPERATING LEASES

The District leases certain photocopiers under noncancellable operating leases. Total costs were \$63,267 for such leases for the Fiscal Year Ended June 30, 2002. The future minimum lease payments, in the amount of \$43,521, will conclude during the Fiscal Year Ending June 30, 2004.

The remaining future minimum lease payments are as follows:

<u>June 30,</u>	<u>Amount</u>
2003	\$ 37,631
2004	<u>5,890</u>
Total	<u><u>\$ 43,521</u></u>

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NOTE 9 – LONG TERM OBLIGATIONS

Changes in general long-term obligations are as follows:

	Balance June 30, 2001	Additions	Reductions	Balance June 30, 2002
Compensated Absences				
Sick Leave	\$ 1,190,783	\$ 0	\$ 13,867	\$ 1,176,916
Vacation	34,758	26,079	34,758	26,079
	1,225,541	26,079	48,625	1,202,995
Intergovernmental Payables				
SERS Surcharge	4,418	5,605	4,418	5,605
Total	\$ 1,229,959	\$ 31,684	\$ 53,043	\$ 1,208,600

NOTE 10 – PROPERTY TAXES

Property taxes include amounts levied annually, on all real and public utility property and business tangible personal property located within the District. The District receives taxes from Medina, Ashland, Lorain, and Summit counties. The county auditors are responsible for assessing and remitting these property taxes to the District. The county treasurers are responsible for collecting property taxes.

Real property taxes collected were based on assessed value equal to thirty-five percent (35%) of appraised value. The county auditor reappraises real property every six years. Real property taxes are levied on assessed valuations as of December 31, which is the lien date. Real property taxes, billed one year in arrears, are payable annually or semiannually. The first payment is due January 20, and the remainder is payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The county auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property

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currently is assessed at eighty-eight (88%) percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Accrued property taxes receivable represent 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 available 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 to the District as an advance at June 30, 2002 was recognized as revenue and a reservation of fund balance.

Since the counties assess and levy property taxes on a calendar basis, the District receives property taxes from two (2) taxing years during the District's fiscal year.

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

	2001 Assessed Valuation	2000 Assessed Valuation
Real Property		
Residential/Agricultural	\$ 2,313,851,950	\$ 1,858,834,720
Commerical/Industrial	451,594,270	325,308,320
Tangible Personal Property		
General	265,162,982	252,294,185
Public Utilities	84,497,350	105,078,340
Total Assessed Valuation	\$ 3,115,106,552	\$ 2,541,515,565

NOTE 11 - PENSION PLANS

(A) *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)*

The Medina County Joint Vocational School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor and health care benefits. 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, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and Medina County Joint Vocational School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Medina County Joint Vocational School District are established by and may be amended by the

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SERS Board of Trustees. The District's contributions to SERS for the years ending June 30, 2002, 2001, and 2000 were \$323,553, \$272,472, and \$253,332, respectively; 92 percent has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. The amount representing the unpaid contribution for fiscal year 2002, \$27,648 is recorded as a liability within the respective funds.

(B) *STATE TEACHERS RETIREMENT SYSTEM (STRS)*

The Medina County Joint Vocational School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for STRS. That 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 Medina County Joint Vocational School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Medina County Joint Vocational School District are established by and may be amended by the STRS Board of Trustees. The District's contributions to STRS for the years ending June 30, 2002, 2001, and 2000 were \$823,372, \$799,010, and \$741,395, respectively; 73 percent has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. The amount representing the unpaid contribution for fiscal year 2002, \$217,419 is recorded as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

(A) *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)*

The Ohio Revised Code gives SERS the discretionary authority to provide post retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate was 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis.

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

Notes to the General Purpose Financial Statements
June 30, 2002

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits was \$315.7 million. The number of participants currently receiving health care benefits is approximately 50,000 statewide. The portion of employer contributions that were used to fund postemployment benefits was \$227,743, which includes a surcharge of \$13,510.

(B) *STATE TEACHERS RETIREMENT SYSTEM (STRS)*

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

For the fiscal year ended June 30, 2002, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 million at June 30, 2001 (the latest information available). For the year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District through the Ohio Schools Council has a comprehensive property and casualty policy with Indiana Insurance and boiler coverage through Travelers Insurance. The deductible is \$1,000 per incident. Fleet coverage is provided by the Ohio School Plan and Hartford Reinsurance with a \$3,000,000 limit and a \$500 deductible. The School District has a liability policy through the Ohio School Plan and The Hartford Insurance Company with a \$3,000,000 limit. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no reduction in coverage from the prior year.

The Superintendent, Treasurer, Board President, and Board Vice President have surety bonds for \$20,000 each. These bonds are with the Travelers Casualty and Surety Company. Remaining employees are covered under a policy with the Ohio Casualty company to protect against theft.

The District provides life insurance and accidental death and dismemberment insurance to its employees. The District has contracted with Medical Mutual of Ohio to provide medical/surgical, dental, vision, and prescription drug benefits for its employees and their covered dependents. Monthly premium costs are shared by the District and covered employees.

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

Notes to the General Purpose Financial Statements
June 30, 2002

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.

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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District's internal service fund accounts for a "Section 125" employee benefits plan. The plan allows employees to designate payroll deductions, on a pre-tax basis, for medical copayments and childcare expenses. A third party administrator reviews and pays all claims on behalf of the District. Claims are limited to contributions paid into the self insurance fund. Contributions not paid out in claims during the year are forfeited to the District.

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

Notes to the General Purpose Financial Statements
June 30, 2002

NOTE 14 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Segment information for Enterprise Funds is as follows:

	Uniform School Supply	Vocational Rotary	Adult Education	Total
Operating Revenues	\$ 122,577	\$ 245,762	\$ 584,198	\$ 952,537
Operating Expenses Before Depreciation	139,399	346,810	987,407	1,473,616
Depreciation Expense	<u>0</u>	<u>0</u>	<u>22,511</u>	<u>22,511</u>
Operating Income (Loss)	<u>(16,822)</u>	<u>(101,048)</u>	<u>(425,720)</u>	<u>(543,590)</u>
Operating Grants	0	0	410,948	410,948
Net Transfers in (out)	<u>0</u>	<u>79,633</u>	<u>75,000</u>	<u>154,633</u>
Non-Operating Revenue	<u>0</u>	<u>79,633</u>	<u>485,948</u>	<u>565,581</u>
Net Income (Loss)	<u>\$ (16,822)</u>	<u>\$ (21,415)</u>	<u>\$ 60,228</u>	<u>\$ 21,991</u>
Net Working Capital	\$ 37,440	\$ (166,458)	\$ (3,236)	\$ (132,254)
Property, Plant and Equipment Additions	\$ 0	\$ 0	\$ 34,080	\$ 34,080
Total Assets	\$ 38,525	\$ 35,632	\$ 131,461	\$ 205,618
Total Equity	\$ 37,440	\$ (166,458)	\$ 240	\$ (128,778)

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

Notes to the General Purpose Financial Statements
June 30, 2002

NOTE 15 – CONTINGENCIES

GRANTS

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

NOTE 16 – 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 District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

Notes to the General Purpose Financial Statements
June 30, 2002

NOTE 17 – CONTRACTUAL COMMITMENTS

As of June 30, 2002 the District had contractual commitments outstanding for paving and fire alarm work.

	<u>Balance</u> <u>6/30/2002</u>
K&M Construction	
Paving	\$ 19,950
Thompson Electric	
Fire alarm work	<u>17,848</u>
 Totals	 <u><u>\$ 37,798</u></u>

NOTE 19 – TAX ANTICIPATION NOTES

Debt outstanding at June 30, 2002 was as follows:

Tax Anticipation Notes, Series 1999 balance at June 30, 2002

5.3% Interest Rate	\$450,000
--------------------	-----------

The tax anticipation notes were issued by the District on November 23, 1999. Principal installment payments began on December 1, 2000, and are payable, with interest, semi-annually on June 1 and December 1 through 2005. The notes were initially issued in anticipation of the collection of a fraction of the proceeds of an additional tax levy in excess of the ten-mill limitation approved by the electors of the District on May 7, 1991 for the purpose of current expenses. Total interest to be paid over the remaining life of the loan is \$35,775.

Amortization of the above notes is scheduled as follows:

<u>June 30,</u>	<u>Amount</u>
2003	\$ 150,000
2004	150,000
2005	<u>150,000</u>
 Total	 <u><u>\$ 450,000</u></u>

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

Notes to the General Purpose Financial Statements
June 30, 2002

NOTE 20 – STATUTORY RESERVES

The District is required to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spend by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District had qualifying disbursements during the year that exceeded the required set-asides and the reserve balance. Extra amounts spent on textbooks and instructional material may be used to reduce set-aside requirements for future years.

	Instructional Material Reserve	Capital Improvement Reserve	Budget Stabilization Reserve	Total
Set-Aside Cash Balance at June 30, 2001	\$ 0	\$ 0	\$ 81,924	\$ 81,924
Current Year Set Aside Requirement	95,535	95,535	0	191,070
Qualifying Disbursements	(882,190)	(222,042)	0	(1,104,232)
Total	\$ (786,655)	\$ (126,507)	\$ 81,924	\$ (831,238)
Balance to Carry Forward	\$ 0	\$ 0	\$ 81,924	
Amount of Restricted Cash				\$ 81,924

The state rescinded the requirement to set aside for budgetary stabilization. The Budget Stabilization Reserve at July 1, 2001 consists of \$81,924 in refunds from the Bureau of Workers' Compensation received prior to April 10, 2001. That portion remains restricted to be used for any of the following: to offset a budget deficit, school facilities, textbooks or instructional materials, purchase of school buses, or professional development of teachers. The Bureau of Workers' Compensation funds appear as a Fund Balance – Reserved for BWC on the governmental Balance Sheet.

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity	Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Direct</i>					
Federal Pell Grant Program	062109		84.063	\$102,190	\$102,190
<i>Passed through the Ohio Department of Education</i>					
Vocational Education - Basic Grants to States	062109	VECPH-S01-066	84.048	37,026	38,600
	062109	VECPH-S02-066		171,359	214,861
	062109	VECPH-A2002-066		10,000	6,775
	062109	VECPH-A01-066		10,065	264
	062109	VECPH-A02-066		59,860	68,972
Total Vocational Education - Basic Grants to States				<u>288,310</u>	<u>329,472</u>
Adult Education - State Grant Program	062109	AB-S1-2001	84.002	0	17,443
	062109	AB-S1-2002		49,612	61,319
				<u>49,612</u>	<u>78,762</u>
Eisenhower Professional Development State Grant	062109	MS-S1 2001	84.281	168	0
	062109	MS-S1 2002		2,122	2,122
				<u>2,290</u>	<u>2,122</u>
Innovative Education Program Strategies	062109	C2-S1 2002	84.298	3,886	3,886
Totals				<u>\$446,288</u>	<u>\$516,432</u>

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

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Medina County Joint Vocational School District
Medina County
1101 West Liberty Street
Medina, Ohio 44256-3842

To the Board of Education:

We have audited the general purpose financial statements of the Medina County Joint Vocational School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 30, 2002, in which we noted the District restated its Proprietary Fund type fixed assets. 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, non-compliance 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 non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of non-compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 30, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 30, 2002.

Medina County Joint Vocational School District
Medina County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

Jim Petro
Auditor of State

December 30, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Medina County Joint Vocation School District
Medina County
1101 West Liberty Street
Medina, Ohio 44256-3842

To the Board of Education:

Compliance

We have audited the compliance of the Medina County Joint Vocation School District, Medina 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 each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Jim Petro
Auditor of State

December 30, 2002

**MEDINA COUNTY JOINT VOCATION SCHOOL DISTRICT SCHOOL DISTRICT
MEDINA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Adult Education – State Grant Programs CFDA #84.002 Federal Pell Grant Program CFDA #84.063
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2001-10952-001	The District's master fixed asset listing omitted certain items including land, building additions, and vehicles. The general fixed asset and enterprise fixed asset balances did not agree directly to the financial statements, and accumulated depreciation and depreciation expense was estimated rather than being derived from the master fixed asset list.	Yes	



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MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

MEDINA 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
MARCH 13, 2003**