



**FIRELANDS LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FIRELANDS LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Firelands Local School District
Lorain County
11970 Vermilion Road
Oberlin, Ohio 44074

To The Board of Education:

We have audited the accompanying financial statements of the Firelands Local School District, Lorain County, Ohio (District), as of and for the years ended June 30, 2000, and June 30, 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform these audits 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 audits provide a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-01 requires the District to prepare its financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

As discussed in Note 2, the District had not executed and filed certificates of adequate revenue for the years ended June 30, 2000, and June 30, 1999. Ohio Rev. Code Section 5705.412 states no school district shall adopt any appropriation measure, make any contract, give any order involving the expenditure of money, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate signed by the treasurer, the president of the board, and the superintendent that the school district has in effect adequate revenue. Ohio Rev. Code Section 5705.412 provides that any contract, salary schedule, or appropriation that is not certified is void as a matter of law and any payments made on the contract, salary schedule, or appropriation could be subject to repayment and recovery. The accompanying financial statements are not adjusted for the uncertainty of potential claims for repayment and recovery which may exist and cause expenditures by the District to be void as a matter of law.

In our opinion, except for the effect on the financial statements of the uncertainty of potential claims for repayment and recovery that may exist for expenditures of moneys as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the Firelands Local School District, Lorain County, Ohio, as of June 30, 2000, and June 30, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements of the Government, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures, for the year ended June 30, 2000, is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and the officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 31, 2001

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Firelands Local School District
Lorain County

**Combined Statement of Cash, Cash Equivalents and
Fund Cash Balances - All Fund Types
as of June 30, 2000**

Cash and Cash Equivalents	<u>\$2,563,872</u>
CASH BALANCES BY FUND TYPES	
Government Fund Type:	
General Fund	\$1,170,697
Special Revenue Funds	354,971
Debt Service	7,386
Capital Projects Funds	939,011
Proprietary Fund Type:	
Enterprise Funds	57,756
Fiduciary Fund Type:	
Agency Funds	<u>34,051</u>
Total	<u>\$2,563,872</u>

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

**Firelands Local School District
Lorain County**

**Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances - All Governmental Fund Types
for the year ended June 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Local Sources:					
Taxes	\$5,490,285	\$0	\$0	\$234,572	\$5,724,857
Tuition	49,458	0	0	0	49,458
Transportation Fees	4,620	0	0	0	4,620
Earnings on Investments	201,457	0	0	0	201,457
Extracurricular Activities	0	186,775	0	0	186,775
Classroom Materials and Fees	39,638	0	0	0	39,638
Miscellaneous	44,892	8,853	0	28,625	82,370
State Sources:					
Unrestricted Grants-In-Aid	5,779,191	0	0	27,804	5,806,995
Restricted Grants-In-Aid	23,200	240,385	0	0	263,585
Federal Sources:					
Restricted Grants-In-Aid	0	323,083	0	0	323,083
Total Cash Receipts	11,632,741	759,096	0	291,001	12,682,838
Cash Disbursements					
Instruction:					
Regular	5,429,882	23,212	0	87,275	5,540,369
Special	728,323	180,495	0	0	908,818
Vocational Education	256,395	0	0	0	256,395
Other	125,280	0	0	0	125,280
Support Services:					
Pupils	622,266	149,499	0	0	771,765
Instructional Staff	224,928	204,892	0	15,513	445,333
Board of Education	16,072	0	0	0	16,072
Administration	1,137,927	0	0	0	1,137,927
Fiscal	223,586	0	0	3,783	227,369
Business	91,526	0	0	0	91,526
Operation and Maintenance - Plant	747,215	0	0	0	747,215
Pupil Transportation	885,339	0	0	0	885,339
Central Services	103,033	13,906	0	0	116,939
Extracurricular Activities:					
Academic and Subject Oriented	49,375	0	0	0	49,375
Sports Oriented	186,388	62,556	0	0	248,944
Building Improvement					
Other Facilities Acquisition and Construction	0	0	0	1,312,518	1,312,518
Repayment of Debt	0	0	74,383	0	74,383
Total Cash Disbursements	10,827,535	634,560	74,383	1,419,089	12,955,567
Excess of Cash Receipts Over (Under) Cash Dis	805,206	124,536	(74,383)	(1,128,088)	(272,729)
Other Financing Sources (Uses)					
Transfers - In	89,300	89,596	74,383	1,170,000	1,423,279
Refund of Prior Year's Expenditures	171	0	0	0	171
Sale of Assets	2,355	0	0	0	2,355
Transfers - Out	(1,433,279)	0	0	0	(1,433,279)
Total Other Financing Sources (Uses)	(1,341,453)	89,596	74,383	1,170,000	(7,474)
Excess of Cash Receipts and Other Financing Sources over Cash Disbursements and Other Financing Uses	(536,247)	214,132	0	41,912	(280,203)
Beginning Fund Balance - July 1, 1999	1,706,944	140,839	7,386	897,099	2,752,268
Ending Fund Balance - June 30, 2000	<u>\$1,170,697</u>	<u>\$354,971</u>	<u>\$7,386</u>	<u>\$939,011</u>	<u>\$2,472,065</u>
Reserve for Encumbrances	<u>\$16,958</u>	<u>\$2,978</u>	<u>\$0</u>	<u>\$38,535</u>	<u>\$58,471</u>

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

Firelands Local School District
Lorain County

**Combined Statement of Cash Receipts, Cash Disbursements and Changes
in Fund of Cash Balances - All Proprietary Fund Types and Fiduciary Funds
for the year ended June 30, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u>Only</u>
Operating Receipts			
Food Service	\$269,219	\$0	\$269,219
Classroom Materials and Fees	17,349	0	17,349
Extracurricular Activities	0	192,381	192,381
Total Operating Receipts	<u>286,568</u>	<u>192,381</u>	<u>478,949</u>
Operating Disbursements			
Salaries and Wages	161,465	162	161,627
Retirement and Insurance	55,155	0	55,155
Purchased Services	7,190	106,779	113,969
Supplies and Materials	160,815	85,051	245,866
Capital Outlay	2,203	0	2,203
Other Objects	0	7,840	7,840
Total Operating Disbursements	<u>386,828</u>	<u>199,832</u>	<u>586,660</u>
Excess of Operating Disbursements Over Operating Receipts	(100,260)	(7,451)	(107,711)
Non-operating Receipts			
Miscellaneous	22,929	0	22,929
Grants - State Sources	2,814	0	2,814
Grants - Federal Sources	75,680	0	75,680
Total Non-operating Receipts	<u>101,423</u>	<u>0</u>	<u>101,423</u>
Excess of Disbursements Over Receipts	1,163	(7,451)	(6,288)
Other Financing Sources (Uses)			
Transfers - In	10,000	0	10,000
Total Other Financing Sources (Use)	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Beginning Fund Balance - July 1, 1999	<u>46,593</u>	<u>41,502</u>	<u>88,095</u>
Ending Fund Balance - June 30, 2000	<u>\$57,756</u>	<u>\$34,051</u>	<u>\$91,807</u>
Reserve for Encumbrances	<u>\$431</u>	<u>\$278</u>	<u>\$709</u>

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

Firelands Local School District
Lorain County

Combined Statements of Receipts - Budget and Actual
for the year ended June 30, 2000

	Budget	Actual	Variance: Favorable (Unfavorable)
Government Fund Type:			
General Fund	\$11,228,300	\$11,724,567	\$496,267
Special Revenue Funds	61,900	848,692	786,792
Debt Service Fund	74,385	74,383	(2)
Capital Projects Funds	256,245	1,461,001	1,204,756
Proprietary Fund Type:			
Enterprise Funds	0	397,991	397,991
Fiduciary Fund Type:			
Agency Funds	0	192,381	192,381
Total	\$11,620,830	\$14,699,015	\$3,078,185

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

**Firelands Local School District
Lorain County**

**Combined Statement of Disbursements and Encumbrances
Compared with Expenditure Authority
for the year ended June 30, 2000**

	<u>Prior Year Carryover Appropriations</u>	<u>2000 Appropriations</u>	<u>Total</u>
Governmental Fund Type:			
General Fund	\$65,131	\$12,596,450	\$12,661,581
Special Revenue Funds	9,273	634,692	643,965
Debt Service Fund	0	74,383	74,383
Capital Projects Funds	77,347	1,431,000	1,508,347
Proprietary Fund Type:			
Enterprise Funds	0	392,141	392,141
Fiduciary Fund Type:			
Agency Funds	668	202,395	203,063
Total	<u>\$152,419</u>	<u>\$15,331,061</u>	<u>\$15,483,480</u>

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

Firelands Local School District
Lorain County

Combined Statement of Disbursements and Encumbrances
Compared with Expenditure Authority
for the year ended June 30, 2000 (continued)

Actual 2000 Disbursements	Encumbrances Outstanding at 6/30/00	Total	Variance: Favorable (Unfavorable)
\$12,260,814	\$16,958	\$12,277,772	\$383,809
634,560	2,978	637,538	6,427
74,383	0	74,383	0
1,419,089	38,535	1,457,624	50,723
386,828	431	387,259	4,882
199,833	278	200,111	2,952
<u>\$14,975,507</u>	<u>\$59,180</u>	<u>\$15,034,687</u>	<u>\$448,793</u>

**Firelands Local School District
Lorain County**

**Combined Statement of Cash, Cash Equivalents and
Fund Cash Balances - All Fund Types
as of June 30, 1999**

Cash and Cash Equivalents	<u>\$2,840,363</u>
CASH BALANCES BY FUND TYPES	
Government Fund Type:	
General Fund	\$1,706,944
Special Revenue Funds	140,839
Debt Service	7,386
Capital Projects Funds	897,099
Proprietary Fund Type:	
Enterprise Funds	46,593
Fiduciary Fund Type:	
Agency Funds	<u>41,502</u>
Total	<u>\$2,840,363</u>

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

**Firelands Local School District
Lorain County**

**Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances - All Governmental Fund Types
for the year ended June 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Local Sources:					
Taxes	\$5,258,944	\$0	\$0	\$224,723	\$5,483,667
Tuition	51,546	0	0	0	51,546
Transportation Fees	6,588	0	0	0	6,588
Earnings on Investments	163,180	0	0	0	163,180
Extracurricular Activities	0	169,432	0	0	169,432
Classroom Materials and Fees	36,426	0	0	0	36,426
Miscellaneous	25,734	19,122	0	1,800	46,656
State Sources:					
Unrestricted Grants-In-Aid	5,629,849	0	0	26,861	5,656,710
Restricted Grants-In-Aid	0	79,410	0	186,073	265,483
Federal Sources:					
Restricted Grants-In-Aid	2,919	79,746	0	0	82,665
Total Cash Receipts	11,175,186	347,710	0	439,457	11,962,353
Cash Disbursements					
Instruction:					
Regular	5,054,621	13,350	0	3,898	5,071,869
Special	530,173	135,346	0	0	665,519
Vocational Education	239,492	0	0	0	239,492
Other	77,103	0	0	0	77,103
Support Services:					
Pupils	514,062	150,063	0	0	664,125
Instructional Staff	179,059	27,915	0	82,873	289,847
Board of Education	12,482	0	0	0	12,482
Administration	1,022,035	0	0	0	1,022,035
Fiscal	211,772	0	0	3,710	215,482
Business	89,699	0	0	0	89,699
Operation and Maintenance - Plant	760,645	0	0	0	760,645
Pupil Transportation	843,886	0	0	0	843,886
Central Services	36,013	22,579	0	0	58,592
Extracurricular Activities:					
Academic and Subject Oriented	58,275	0	0	0	58,275
Sports Oriented	171,613	54,888	0	0	226,501
Building Improvement					
Architecture and Engineering	0	0	0	30,548	30,548
Facilities Acquisition and Construction	0	0	0	818,244	818,244
Repayment of Debt	0	0	73,995	0	73,995
Total Cash Disbursements	9,800,930	404,141	73,995	939,273	11,218,339
Excess of Cash Receipts Over (Under) Cash Disbursements	1,374,256	(56,431)	(73,995)	(499,816)	744,014
Other Financing Sources (Uses)					
Transfers - In	85,990	79,000	73,995	500,000	738,985
Refund of Prior Year's Expenditures/ Receipts	416	(23)	0	0	393
Sale of Assets	150	0	0	0	150
Transfers - Out	(738,985)	0	0	0	(738,985)
Total Other Financing Sources (Uses)	(652,429)	78,977	73,995	500,000	543
Excess of Cash Receipts and Other Financing Sources over Cash Disbursements and Other Financing Uses	721,827	22,546	0	184	744,557
Beginning Fund Balance - July 1, 1998	985,117	118,293	7,386	896,915	2,007,711
Ending Fund Balance - June 30, 1999	<u>\$1,706,944</u>	<u>\$140,839</u>	<u>\$7,386</u>	<u>\$897,099</u>	<u>\$2,752,268</u>
Reserve for Encumbrances	<u>\$65,131</u>	<u>\$9,273</u>	<u>\$0</u>	<u>\$77,347</u>	<u>\$151,751</u>

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

Firelands Local School District
Lorain County

**Combined Statement of Cash Receipts, Cash Disbursements and Changes
in Fund of Cash Balances - All Proprietary Fund Types and Fiduciary Funds
for the year ended June 30, 1999**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Receipts			
Food Service	\$245,345	\$0	\$245,345
Classroom Materials and Fees	27,452	0	27,452
Extracurricular Activities	0	151,046	151,046
Total Operating Receipts	<u>272,797</u>	<u>151,046</u>	<u>423,843</u>
Operating Disbursements			
Salaries and Wages	149,200	0	149,200
Retirement and Insurance	50,238	0	50,238
Purchased Services	3,598	52,585	56,183
Supplies and Materials	167,113	76,636	243,749
Capital Outlay	764	0	764
Capital Outlay - Replacement	880	0	880
Other Objects	0	800	800
Total Operating Disbursements	<u>371,793</u>	<u>130,021</u>	<u>501,814</u>
Excess of Operating Disbursements Over Operating Receipts	(98,996)	21,025	(77,971)
Non-operating Receipts			
Miscellaneous	22,997	0	22,997
Grants - State Sources	1,943	0	1,943
Grants - Federal Sources	62,338	0	62,338
Total Non-operating Receipts	<u>87,278</u>	<u>0</u>	<u>87,278</u>
Excess of Disbursements Over Receipts	(11,718)	21,025	9,307
Beginning Fund Balance - July 1, 1998	<u>58,311</u>	<u>20,477</u>	<u>78,788</u>
Ending Fund Balance - June 30, 1999	<u>\$46,593</u>	<u>\$41,502</u>	<u>\$88,095</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$668</u>	<u>\$668</u>

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

Firelands Local School District
Lorain County

Combined Statements of Receipts - Budget and Actual
for the year ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
Government Fund Type:			
General Fund	\$10,759,693	\$11,261,742	\$502,049
Special Revenue Funds	453,628	426,710	(26,918)
Debt Service Fund	73,995	73,995	0
Capital Projects Funds	240,000	939,457	699,457
Proprietary Fund Type:			
Enterprise Funds	354,600	360,075	5,475
Fiduciary Fund Type:			
Agency Funds	84,500	151,046	66,546
Total	<u>\$11,966,416</u>	<u>\$13,213,025</u>	<u>\$1,246,609</u>

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

Firelands Local School District
Lorain County

Combined Statement of Disbursements and Encumbrances
Compared with Expenditure Authority
for the year ended June 30, 1999

	<u>Prior Year Carryover Appropriations</u>	<u>1999 Appropriations</u>	<u>Total</u>
Governmental Fund Type:			
General Fund	\$65,306	\$10,952,035	\$11,017,341
Special Revenue Funds	13,319	428,203	441,522
Debt Service Fund	0	73,995	73,995
Capital Projects Funds	30,334	1,127,270	1,157,604
Proprietary Fund Type:			
Enterprise Funds	150	386,614	386,764
Fiduciary Fund Type:			
Agency Funds	535	133,231	133,766
Total	<u>\$109,644</u>	<u>\$13,101,348</u>	<u>\$13,210,992</u>

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

Firelands Local School District
Lorain County

Combined Statement of Disbursements and Encumbrances
Compared with Expenditure Authority
for the year ended June 30, 1999 (continued)

Actual 1999 Disbursements	Encumbrances Outstanding at 6/30/99	Total	Variance: Favorable (Unfavorable)
\$10,539,915	\$65,131	\$10,605,046	\$412,295
404,164	9,273	413,437	28,085
73,995	0	73,995	0
939,273	77,347	1,016,620	140,984
371,793	0	371,793	14,971
130,021	668	130,689	3,077
<u>\$12,459,161</u>	<u>\$152,419</u>	<u>\$12,611,580</u>	<u>\$599,412</u>

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**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE ENTITY

The Firelands Local School District (District) is a local school district as defined by Ohio Revised Code Section 3311.03. The District is governed by a five member elected Board of Education (Board) and provides public education to the residents of the Villages of Kipton and South Amherst and Townships of Brownhelm, Camden, and Henrietta in Lorain County and the Township of Florence in Erie County.

The District operates 4 instructional facilities, providing educational services to 2,087 students from grades 1 through 12.

Reporting Entity

The reporting entity consists of the primary government and entities which are not legally separate from the primary government. The District is the primary government and constitutes the entire reporting entity. The District is associated with four jointly governed organizations. These organizations are the Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments, the Lorain County Joint Vocational School District and the Ohio Schools Council. These organizations are described in more detail in Note 10 to the financial statements.

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

Fund Accounting

The District maintains its accounting records in a fund accounting system. Fund accounting was developed to meet the needs of governmental entities for which legal or other constraints require the recording of specific receipts and disbursements. Each transaction is recorded in a fund, which is a self-balancing group of accounts; an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

General Fund: This is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund: This fund is used to accumulate resources for the payment of bonds and note indebtedness.

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (Continued)

Capital Projects Funds: These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Enterprise Funds: These funds are used to account for operations which are financed and operated in a manner similar to private business enterprises and for which the District intends to support a material portion of the operating costs with user charges.

Agency Fund: This fund is used to account for custodial funds held by the District acting as the agent for another government, organization, individual, or fund.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Treasurer submits to the Board 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. By no later than January 20, the budget is filed with the Lorain County Budget Commission for rate determination.

Estimated Resources By April 1, the Board accepts the tax rates as determined by the Budget Commission and receives the Budget 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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended Certificate issued during fiscal year 2000 and 1999.

Appropriations Upon receipt from the Lorain County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates, the annual Appropriation Resolution must be legally enacted by the Board. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control.

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

Total Columns on Financial Statements The total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. LEGAL COMPLIANCE

Ohio Administrative Code 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District, however, prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles, with modifications designed to demonstrate the District's compliance with the budget laws of the State of Ohio.

Ohio Rev. Code Section 5705.41 (B) states that no expenditures may be made unless it has been appropriated. During the month of September 1999, the District had thirty two accounts where expenditures exceeded appropriations; twenty six of those accounts had no appropriation recorded. Expenditures exceeded the appropriated amount by \$315,263.

Ohio Rev. Code Section 5705.412 states no school district shall adopt any appropriation measure, make any contract, give any order involving the expenditure of money, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate signed by the treasurer, president of the board, and the superintendent that the school district has in effect adequate revenue. The District had not executed and filed certificates for the years ended June 30, 2000, and June 30, 1999. Ohio Rev. Code Section 5705.412 provides that any contract, salary schedule, or appropriation that is not certified is void as a matter of law and any payments made on the contract, salary schedule, or appropriation could be subject to repayment and recovery as a matter of law.

3. CASH AND CASH EQUIVALENTS

The District maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments of cash.

Legal Requirements

Ohio Revised Code requires the classification of monies held by the District into three categories.

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

3. CASH AND CASH EQUIVALENTS (continued)

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

Inactive deposits are public deposits that the District 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 pass book accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State of Ohio Treasurer's investment pool (STAROhio);
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

3. CASH AND CASH EQUIVALENTS (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 to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The fund balances are expressed in terms of Cash and Cash Equivalents. Cash equivalents are available for immediate expenditure, or are liquid investments which are immediately marketable, have negligible credit risk, and mature within three months.

The Cash and Cash Equivalents total consisted of:

	<u>2000</u>		<u>1999</u>
Deposits	\$ (64,668)	\$	(100,718)
STAROhio:	2,628,540		2,941,081
Total	<u>\$ 2,563,872</u>	<u>\$</u>	<u>2,840,363</u>

Cash

At years-end, June 30, 2000, the carrying amount of the District's deposits was \$(64,668) and the bank balance was \$525, and at year-end, June 30, 1999, the carrying amount of the District's deposits was \$(100,718), and the bank balance was \$219,442. The bank balance was covered by federal depository insurance and by collateral held by a qualified third party trustee in single institution collateral pools securing all public funds.

Investments

The District's investments were limited to STAROhio. The District's investment in STAR Ohio is reported as a cash equivalent on the Statement of Cash, Cash Equivalents, and Fund Cash Balances. Accounting standards require investments to be classified into three categories of credit risk:

Category 1: Securities held by the District or its agent in the District's name.

Category 2: Securities held by the counter party's trust department or agent in the District's name.

Category 3: Securities held by the counter party, or by its trust department or agent but not in the District's name.

The District's \$2,628,540 for year end June 30, 2000, and \$ 2,941,081 for year end June 30, 1999, investment in STAROhio approximates market value and cannot be classified since the investment is not evidenced by securities that exist in physical or book entry form.

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

4. DEBT OBLIGATIONS

Changes in debt obligations during the fiscal years are as follows:

	<u>Balance at June 30, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2000</u>
Energy Conservation Notes, dated 2/10/97 at 5.50%, due 12/1/06	\$532,000	- 0-	\$95,000	\$437,000

Principal and interest requirements to retire the obligation are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	52,000	22,605	74,605
2002	55,000	19,663	74,663
2003	58,000	16,555	74,555
2004	62,000	13,255	75,255
2005	66,000	9,735	75,735
2006-2007	<u>144,000</u>	<u>5,995</u>	<u>149,995</u>
Totals	<u>\$437,000</u>	<u>\$87,808</u>	<u>\$524,808</u>

5. PROPERTY TAX

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Lorain County and Erie County Auditors at 35 percent of appraised value. All real property is required to be revalued every six years.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 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, 2000 was \$52.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$29.9 per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$36.19 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 reductions is reimbursed to the District by the State of Ohio.

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

5. PROPERTY TAX (continued)

Tangible personal property owners are required to file a list of such property including costs, by April 30 of each year. Taxes collected in one calendar year are levied in the prior calendar year on assessed value during and at the close of the most recent fiscal year of the taxpayer ended on or before March 31 of that calendar year and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2000 was \$50.60 per \$1,000 of assessed value.

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

The Lorain County and Erie County Treasurers collect property tax on behalf of all taxing districts within their respective Counties. The Lorain County and Erie County Auditors periodically remit to the taxing districts their portions of the taxes collected.

6. RETIREMENT SYSTEMS

State Teachers Retirement System of Ohio (STRS)

The STRS is a cost sharing, multiple employer public employee retirement system. Full-time certified teachers of the District belong to STRS. STRS provides retirement benefits to vested employees who are eligible to retire based upon years of service. STRS also provides survivor and disability benefits to vested employees.

Employees contribute 9.30 percent of gross salary. The employer matching share is 14 percent of gross salary with 12 percent allocated to pensions and 2 percent allocated to postemployment benefits. The pension contribution requirement for the District for the year ended June 30, 2000, and June 30, 1999, was \$540,729 from employees and \$814,001 from the District for the year end June 30, 2000, and \$493,958 from employees and \$743,592 from the District for the fiscal year end June 30, 1999. The required percentages for employer and employee contributions for the next fiscal year will be unchanged.

School Employees Retirement System of Ohio (SERS)

The SERS is a cost-sharing, multiple employer public employee retirement system. Full time, permanent, non-certified employees of the District belong to SERS. SERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. SERS also provides survivor and disability benefits to vested employees.

Employees contribute 9 percent of gross salary. The employer matching share is 14 percent of gross salary with 9.13 percent allocated to pension benefits and 4.87 percent allocated to post employment benefits. The pension contribution requirement for the District for the year ended June 30, 2000, and June 30, 1999, was \$126,880 from employees and \$197,369 from the District for the year end June 30, 2000, and \$114,576 from employees and \$178,229 from the District for the year end June 30, 1999.

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

7. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio

STRS provides comprehensive health care benefits to eligible retirees and their dependents. Eligibility requirements, benefit provisions, and obligations to contribute are established by the STRS based upon authority granted by Ohio Revised Code.

The portion of the STRS employer contribution allocated to health care benefits as of June 30, 2000, and June 30, 1999, was 2 percent of covered payroll. The District's total contribution for health care benefits in fiscal years 2000 and 1999 was \$116,286 and \$106,227 respectively.

School Employees Retirement System of Ohio

SERS provides comprehensive health care benefits to eligible retirees and their dependents. Eligibility requirements, benefit provisions, and obligations to contribute are established by the SERS based upon authority granted by Ohio Revised Code. The portion of the SERS employer contribution allocated to health care benefits as of June 30, 2000, and June 30, 1999, was 4.87 percent of covered payroll. In addition, a \$27,030 and \$26,975 surcharge for health care contributions was added to the District's contribution for fiscal years 2000 and 1999, respectively. The District's total contribution for health care benefits in fiscal years 2000 and 1999 was \$68,656 and \$61,998.

8. 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 continues to carry commercial insurance for these types of risk. Real property and contents are fully insured.

The District joined together with 14 other area school districts to form the Lake Erie Regional Council of Governments to provide health care benefits and to purchase natural gas. The District pays a monthly premium to the Council for health benefits, dental insurance, and prescription drug coverage. The agreement with the member Districts provides that it will be self-sustaining through member premiums and stop-loss insurance policies through commercial companies. There is a \$1,000,000 lifetime maximum per covered individual.

9. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal years ended June 30, 2000, and June 30, 1999, the District received \$5,146,639 and \$5,003,022, respectively of school foundation support for its General Fund.

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

9. STATE SCHOOL FUNDING DECISION (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled."

The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant[ing] further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

10. JOINTLY GOVERNED ORGANIZATIONS

Lake Erie Education Computer Association (LEECA)

LEECA is a jointly governed organization among thirty member school districts and the Educational Service Center of Lorain County, which serves as fiscal agent. LEECA 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 member is assessed a user fee based upon a per pupil charge dependent upon the software package utilized. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA Assembly. The LEECA Assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which member school districts are located. The degree of control exercised by any member school district is limited to its presentation on the Board of Directors. Financial information can be obtained by contacting the Treasurer of the Educational Service Center of Lorain County, at 1885 Lake Avenue, Elyria, Ohio 44035.

Lake Erie Regional Council of Governments (LERC)

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

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

10. JOINTLY GOVERNED ORGANIZATIONS (continued)

The LERC's shared risk pool premiums are billed to each member school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal, each member school is notified of the deficiency and billed for its share of the additional cost.

LERC is governed by a Board of Directors chosen from the general membership. The LERC assembly consist of a superintendent or designated representative from each member school district and the fiscal agent. The degree of control exercised by any member school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer of the Educational Service of Lorain County, at 1885 Lake Avenue, Elyria, Ohio 44035.

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

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

Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from the member school district's elected board, which possesses its own budgeting and taxing authority. Financial information can be obtained by contacting the Treasurer of the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

The District does not retain an ongoing financial interest or an ongoing financial responsibility for any of these organizations.

11. STATUTORY RESERVES

The District is required by state law to set aside certain fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

**Firelands Local School District
Lorain County**

**Notes to the Financial Statements
For the years ended June 30, 2000 and June 30, 1999**

(Continued)

11. STATUTORY RESERVES (Continued)

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/99	\$ 0	\$ 0	\$ 140,758	\$ 140,758
Required Set Aside	303,268	303,268	0	606,536
Offset Credits	(5,304)	0	0	(5,304)
Qualifying Expenditures	(270,000)	(303,268)	0	(573,268)
Balance 6/30/00	<u>\$ 27,964</u>	<u>\$ 0</u>	<u>\$ 140,758</u>	<u>\$ 168,722</u>

12. SUBSEQUENT EVENTS

On November 7, 2000, voters approved a renewal of \$820,000 emergency tax levy. Collection of the tax will begin in 2001 and proceeds will be distributed in 2002. The proceeds of this tax will provide for the emergency requirements of the District for the years beginning in 2002 and the subsequent five year period.

13. CONTINGENCY

The District's failure to execute the "412 certification" as required by Ohio Revised Code Section 5705.412 means that all contracts which required certification are null and void and the failure to sign the certification by the District superintendent, Treasurer and Board President mean that any litigation filed could have a negative material impact on the financial position of the District.

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Firelands Local School District
Lorain County

Schedule of Federal Awards Receipts and Expenditures
for the year ended June 30, 2000

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		10.550	\$0	\$28,763	\$0	\$28,550
National School Lunch Program	48157 03-PU	10.555	74,565		74,565	
Special Milk Program	48157 02-PU	10.556	1,114	0	1,114	0
Total U.S. Department of Agriculture - Nutrition Cluster			75,679	28,763	75,679	28,550
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Grants to Local Educational Agencies (IASA Title I)	48157 C1-S1	84.010	19,574	0	19,574	0
Special Education Grants to States	48157 6B-SF	84.027	25,568	0	25,568	0
Drug-Free Schools Grants	48157 DR S1	84.186	2,582	0	2,582	0
Eisenhower	48157 MS-S1	84.281	2,030	0	0	0
Innovative Education Program Strategies	48157 C2-S1	84.298	2,929	0	0	0
Comprehensive School Reform Demonstration	48157 RF-S1	84.332	137,500		100,292	
	48157 RF-S1	84.332	125,000	0	75,000	0
CFDA Total			262,500	0	175,292	0
Title VI-R	48157 CR-S1	84.340	7,900		0	
Total U.S. Department of Education			323,083	0	223,016	0
Total Federal Awards Expenditures			\$398,762	\$28,763	\$298,695	\$28,550

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**Firelands Local School District
Lorain County
Notes to the Schedule of Federal Awards Receipts and
Expenditures for the Year Ended June 30, 2000**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures includes the Federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE B - NATIONAL SCHOOL LUNCH PROGRAM

Federal monies received by the District for this program are commingled with state grants and local revenues. It is assumed that Federal monies are expended first.

NOTE C - GOVERNMENT DONATED FOODS

Value for commodities are based on fair market approximations. Values may change from month to month and are entirely subjective.

N/A - Not Applicable

CFDA - Catalog of Federal Domestic Assistance



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OFFICE OF THE AUDITOR

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

Firelands Local School District
Lorain County
11970 Vermilion Road
Oberlin, Ohio 44074

To The Board of Education:

We have audited the financial statements of Firelands Local School District, Lorain County, Ohio (District) as of and for the years ended June 30, 2000, and June 30, 1999, and have issued our report thereon dated January 31, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items Schedule of Findings as items Schedule of Findings as items 2000-10847-001, 2000-10847-002, and 2000-10847-003. In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 31, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as item 2000-10847-004 and 2000-10847-005. In addition, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 31, 2001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

This report is intended for the information of 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.

Jim Petro
Auditor of State

January 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Firelands Local School District
Lorain County
11970 Vermillion Road
Oberlin, Ohio 44074

To The Board of Education:

Compliance

We have audited the compliance of Firelands Local School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on the 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.

Firelands Local School District
Lorain County
Report on Compliance With Requirements Applicable to the Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
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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 the 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 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.

Jim Petro
Auditor of State

January 31, 2001

Firelands Local School District
Lorain County

SCHEDULE OF FINDINGS
JUNE 30, 2000 and JUNE 30, 1999

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)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<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):	Comprehensive School Reform Demonstration - CFDA 84.332
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	\$300,000/all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

Finding Number	2000 - 10847 - 001
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Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Because of this noncompliance the District can be fined and other legal remedies may be assessed against the District.

**Firelands Local School District
Lorain County**

**SCHEDULE OF FINDINGS
JUNE 30, 2000 and JUNE 30, 1999**

Finding Number	2000 - 10847 - 001 (Continued)
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Management of the District has indicated it does not have sufficient resources to present its financial statements in accordance with generally accepted accounting principles.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

Finding Number	2000 - 10847 - 002
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Ohio Rev. Code Section 5705.41(B) states that no expenditures may be made unless it has been appropriated. During the month of September 1999, the District had thirty- two accounts where expenditures exceeded appropriations: twenty-six of those accounts had no appropriation recorded. Expenditures exceeded the appropriated amount by \$315,263.

We recommend the District not expend any moneys unless such expenditures have been legally appropriated.

Finding Number	2000 - 10847 - 003
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Ohio Rev. Code Section 5705.412 states that no school district shall adopt any appropriation measure, make any contract, give any order involving the expenditure of money, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate signed by the treasurer, the president of the board, and the superintendent that the school district has in effect adequate revenue. Ohio Rev. Code Section 5705.412 provides that any contract, salary schedule, or appropriation that is not certified is void as a matter of law and any payments made on the contract, salary schedule, or appropriation could be subject to repayment and recovery.

The District did not make the required certification of adequate revenue for the required transactions during the fiscal years ended June 30, 2000 and June 30, 1999.

The obligations, as listed above considered null and void. No payment may be made on void obligations. Officials knowingly executing an obligation contrary to Ohio Rev. Code Section 5705.412, expending or authorizing the expenditure of public funds contrary to Ohio Rev. Code Section 5705.412 or authorizing as making payment of public funds on a void obligation is liable for the full amount paid on the obligation up to \$10,000.

We recommend the District implement the procedures to prepare the certificate of adequate revenue as required and maintain a continuing record of contracts which have been certified and adequate documentation to substantiate the certifications.

Finding Number	2000 - 10847 - 004
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The Ohio Revised Code, by codifying certain functions, recognizes the responsibility of a governing board in guiding spending policies through the establishment of operating budgets. It may be implied that the governing board maintain the same level of responsibility for monitoring the budget and making budget amendments.

**Firelands Local School District
Lorain County**

**SCHEDULE OF FINDINGS
JUNE 30, 2000 and JUNE 30, 1999**

Finding Number	2000 - 10847 - 004 (Continued)
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At the end of the fiscal year, an amendment to the budget for revenues and expenditures was made to reflect changes in financial activity. This was the only amendment approved by the Board, filed with the County Budget Commission, and posted to the District's records.

Complete, accurate and timely financial information including a comparison of the budgeted (revenues and expenditures) to actual results contributes to improved financial performance.

Management of the District has indicated it does not have sufficient resources to present its financial statements in accordance with generally accepted accounting principles.

We recommend the Board approve, and the Treasurer file with the County Budget Commission, and record in the District's ledgers, all changes in budgetary activity throughout the fiscal year as new information becomes available in order to improve compliance with Ohio Revised Code budget requirements.

Finding Number	2000 - 10847 - 005
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The Board passed resolution 00-133 authorizing the Treasurer to reappropriate, as needed, to balance all accounts for actual expenditures for the fiscal year. The legislative body of a local government may not delegate its authority that must be performed by those specific individuals elected to fulfill that responsibility. The Board in passing resolution 00-133 had delegated its authority over to the Treasurer to reappropriate account appropriations to equal expenditures for the fiscal year.

We recommend the Board approve through resolution all changes to account appropriations as they are empowered under law to do and without delegation of responsibilities.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

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**Firelands Local School District
Lorain County**

SCHEDULE OF PRIOR FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Explanation</u>
1998-10847-001	Ohio Administrative Code Section 117-2-1 - The District prepares its financial statements on the cash basis, a basis of accounting other than generally accepted accounting principles.	No	See the Schedule of Findings, Finding 2000 - 10847-001 for the years ended June 30, 2000 and June 30, 1999. The Treasurer, Superintendent, and Board do not feel GAAP financial statements provide significant value as a managerial tool in making financial decisions and projections in comparison to the cost of implementation and have no current plans to file GAAP financial statements in the future.
1998-10847-002	Ohio Rev. Code Section 5705.41 - As of February 28, 1998, the District had 32 accounts within several funds where expenditures exceeded appropriations; 26 of those accounts had no appropriation recorded. Expenditures exceeded the appropriated amount by \$551,626 or 120 percent.	No	See the Schedule of Findings, Finding 2000-10847-002 for the years ended June 30, 2000 and June 30, 1999. The Treasurer does not feel budgetary amendments are necessary as long as expenditure control is maintained.
1998-10847-003	Reportable Condition - At the end of the fiscal year, a final amendment to the budget for revenues and expenditures was made to reflect changes in financial activity. This was the only amendment approved by the Board, filed with the Lorain County Budget Commission, and posted to the District's records.	No	See the Schedule of Findings, Finding 2000-10847—004 for the years ended June 30, 2000 and June 30, 1999. The Treasurer feels because of time restrictions it is not cost beneficial to make amended changes to budgetary during the year.



STATE OF OHIO
OFFICE OF THE AUDITOR

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FIRELANDS LOCAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 27, 2001**