



**JIM PETRO**  
**AUDITOR OF STATE**  

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**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 44074-9499

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Firelands Local School District (the District) as of and for the year ended June 30, 2001, 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, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in note 3 to the general-purpose financial statements, certain changes in accounting policies and financial reporting practices were made in order to present the aforementioned general-purpose financial statements in conformity with generally accepted accounting principles. Such changes were adopted July 1, 2000, and to implement those changes, adjustments were made to restate fund balances and retained earnings as of that date.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 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.

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

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

**Jim Petro**  
Auditor of State

April 4, 2002

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**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$848,444	\$396,909	\$7,386	\$1,723,315
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	6,285,536			291,793
Accounts	98	662		
Interfund loan receivable	113,960			
Prepayments	14,541			
Materials and supplies inventory				
Due from other governments		113,506		96,480
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other Debits:</b>				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
<b>Total assets and other debits</b>	<b>\$7,262,579</b>	<b>\$511,077</b>	<b>\$7,386</b>	<b>\$2,111,588</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$11,509	\$5,441		\$21,100
Accrued wages and benefits	1,093,106	25,973		
Compensated absences payable	14,250			
Pension obligation payable	190,402	2,734		
Interfund loan payable		78,950		35,010
Deferred revenue	5,297,642	113,506		338,879
Due to students				
Energy conservation notes payable				
Obligation under capital lease				
Total liabilities	6,606,909	226,604		394,989
<b>Equity and Other Credits:</b>				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	7,078	23,134		187,843
Reserved for prepayments	14,541			
Reserved for debt service			\$7,386	
Reserved for tax revenue unavailable for appropriation	987,894			49,394
Unreserved-undesignated	(353,843)	261,339		1,479,362
Total equity and other credits	655,670	284,473	7,386	1,716,599
<b>Total liabilities, equity and other credits</b>	<b>\$7,262,579</b>	<b>\$511,077</b>	<b>\$7,386</b>	<b>\$2,111,588</b>

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



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$89,082	\$49,609			\$3,114,745
				6,577,329
				760
				113,960
				14,541
7,350				7,350
420				210,406
70,739		\$11,251,653		11,322,392
			\$7,386	7,386
			1,287,067	1,287,067
<b>\$167,591</b>	<b>\$49,609</b>	<b>\$11,251,653</b>	<b>\$1,294,453</b>	<b>\$22,655,936</b>
				\$38,050
\$19,449				1,138,528
8,877			\$805,951	829,078
14,867			101,964	309,967
				113,960
4,065				5,754,092
	\$49,609			49,609
			385,000	385,000
			1,538	1,538
47,258	49,609		1,294,453	8,619,822
		\$11,251,653		11,251,653
120,333				120,333
				218,055
				14,541
				7,386
				1,037,288
				1,386,858
120,333		11,251,653		14,036,114
<b>\$167,591</b>	<b>\$49,609</b>	<b>\$11,251,653</b>	<b>\$1,294,453</b>	<b>\$22,655,936</b>

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
From local sources:		
Taxes	\$5,693,034	
Tuition	136,195	
Earnings on investments	202,153	
Other local revenues	123,585	\$301,834
Other Revenue		3,599
Intergovernmental - State	6,434,611	181,827
Intergovernmental - Federal	1,713	709,676
	<hr/>	<hr/>
Total revenue	12,591,291	1,196,936
	<hr/>	<hr/>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	5,763,122	56,256
Special	881,238	357,984
Vocational	273,017	2,023
Other	168,432	252,648
Support services:		
Pupil	790,184	147,947
Instructional staff	280,367	182,422
Board of Education	15,306	
Administration	1,120,576	53,051
Fiscal	277,042	9,889
Business	95,070	
Operations and maintenance	863,210	2,122
Pupil transportation	975,758	
Central	175,814	548
Community services		22,720
Extracurricular activities	252,881	122,402
Facilities services		
Debt service:		
Principal retirement	1,252	
Interest and fiscal charges	178	
	<hr/>	<hr/>
Total expenditures	11,933,447	1,210,012
	<hr/>	<hr/>
Excess of revenues over (under) expenditures	657,844	(13,076)
	<hr/>	<hr/>
Other financing sources (uses):		
Proceeds from sale of assets	1,608	
Operating transfers in	86,395	155,017
Operating transfers out	(1,159,680)	(97,395)
	<hr/>	<hr/>
Total other financing sources (uses)	(1,071,677)	57,622
	<hr/>	<hr/>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(413,833)	44,546
	<hr/>	<hr/>
Fund balance, July 1 (Restated)	1,069,503	239,927
	<hr/>	<hr/>
<b>Fund balance, June 30</b>	<b>\$655,670</b>	<b>\$284,473</b>
	<hr/> <hr/>	<hr/> <hr/>

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

<u>Governmental Fund Types</u>		<u>Total</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
	\$257,910	\$5,950,944
		136,195
	3,500	202,153
		428,919
		3,599
	250,307	6,866,745
		711,389
	<u>511,717</u>	<u>14,299,944</u>
	77,077	5,896,455
		1,239,222
	18,000	275,040
		439,080
		938,131
	1,345	464,134
		15,306
		1,173,627
	4,186	291,117
		95,070
		865,332
		975,758
		176,362
		22,720
		375,283
	596,557	596,557
\$52,000		53,252
22,605		22,783
<u>74,605</u>	<u>697,165</u>	<u>13,915,229</u>
<u>(74,605)</u>	<u>(185,448)</u>	<u>384,715</u>
		1,608
74,605	941,058	1,257,075
		(1,257,075)
<u>74,605</u>	<u>941,058</u>	<u>1,608</u>
	755,610	386,323
7,386	960,989	2,277,805
<u><b>\$7,386</b></u>	<u><b>\$1,716,599</b></u>	<u><b>\$2,664,128</b></u>

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>General</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Revised Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
From local sources:			
Taxes	\$5,486,949	\$5,694,760	\$207,811
Tuition	134,146	136,195	2,049
Earnings on investments	199,111	202,153	3,042
Other local revenues	89,636	91,005	1,369
Other revenue			
Intergovernmental - State	6,339,161	6,436,011	96,850
Intergovernmental - Federal	3,142	3,190	48
<b>Total revenues</b>	<b>12,252,145</b>	<b>12,563,314</b>	<b>311,169</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	5,752,357	5,695,600	56,757
Special	857,055	855,300	1,755
Vocational	273,411	271,278	2,133
Other	178,000	170,821	7,179
Support services:			
Pupil	773,359	773,357	2
Instructional staff	279,946	271,422	8,524
Board of Education	21,840	15,303	6,537
Administration	1,184,739	1,124,358	60,381
Fiscal	293,227	276,191	17,036
Business	99,270	95,740	3,530
Operations and maintenance	901,863	864,417	37,446
Pupil transportation	1,003,203	976,900	26,303
Central	179,040	175,869	3,171
Community services			
Extracurricular activities	282,760	265,844	16,916
Facilities services			
Debt service:			
Principal retirement			
Interest and fiscal charges			
<b>Total expenditures</b>	<b>12,080,070</b>	<b>11,832,400</b>	<b>247,670</b>
Excess of revenues over (under) expenditures	172,075	730,914	558,839
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures	33,694	34,209	515
Operating transfers in	163,891	166,395	2,504
Operating transfers (out)	(1,273,648)	(1,273,640)	8
Proceeds of sale of fixed assets	1,584	1,608	24
<b>Total other financing sources (uses)</b>	<b>(1,074,479)</b>	<b>(1,071,428)</b>	<b>3,051</b>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(902,404)	(340,514)	561,890
Fund balances, July 1	1,153,738	1,153,738	
Prior year encumbrances appropriated	16,958	16,958	
<b>Fund balances, June 30</b>	<b>\$268,292</b>	<b>\$830,182</b>	<b>\$561,890</b>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$278,252	\$303,764	\$25,512			
3,297	3,599	302			
166,555	181,826	15,271			
650,072	709,677	59,605			
<u>1,098,176</u>	<u>1,198,866</u>	<u>100,690</u>			
56,028	56,019	9			
358,673	358,673				
252,835	252,827	8			
172,824	151,624	21,200			
209,157	195,613	13,544			
52,582	52,582				
9,889	9,889				
2,122	2,122				
4,750	4,748	2			
23,854	23,854				
137,157	134,123	3,034			
			\$52,000	\$52,000	
			22,605	22,605	
<u>1,279,871</u>	<u>1,242,074</u>	<u>37,797</u>	<u>74,605</u>	<u>74,605</u>	
<u>(181,695)</u>	<u>(43,208)</u>	<u>138,487</u>	<u>(74,605)</u>	<u>(74,605)</u>	
214,317	233,967	19,650	74,605	74,605	
(177,395)	(177,395)				
<u>36,922</u>	<u>56,572</u>	<u>19,650</u>	<u>74,605</u>	<u>74,605</u>	
(144,773)	13,364	158,137			
351,992	351,992		7,386	7,386	
2,978	2,978				
<u>\$210,197</u>	<u>\$368,334</u>	<u>\$158,137</u>	<u>\$7,386</u>	<u>\$7,386</u>	

(Continued)

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

	Capital Projects		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
From local sources:			
Taxes	\$240,170	\$254,516	\$14,346
Tuition			
Earnings on investments			
Other local revenues	3,353	3,500	147
Other revenue			
Intergovernmental - State	143,991	250,307	106,316
Intergovernmental - Federal			
Total revenues	<u>387,514</u>	<u>508,323</u>	<u>120,809</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	77,078	77,078	
Special			
Vocational			
Other	18,000	18,000	
Support services:			
Pupil			
Instructional staff	1,720	1,720	
Board of Education			
Administration			
Fiscal	4,500	4,185	315
Business			
Operations and maintenance			
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities services	1,185,892	808,047	377,845
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>1,287,190</u>	<u>909,030</u>	<u>378,160</u>
Excess of revenues over (under) expenditures	<u>(899,676)</u>	<u>(400,707)</u>	<u>498,969</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures			
Operating transfers in	935,056	976,068	41,012
Operating transfers (out)			
Proceeds of sale of fixed assets			
Total other financing sources (uses)	<u>935,056</u>	<u>976,068</u>	<u>41,012</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	35,380	575,361	539,981
Fund balances, July 1	900,476	900,476	
Prior year encumbrances appropriated	38,535	38,535	
<b>Fund balances, June 30</b>	<b><u>\$974,391</u></b>	<b><u>\$1,514,372</u></b>	<b><u>\$539,981</u></b>

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

**Total (Memorandum only)**

<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$5,727,119	\$5,949,276	\$222,157
134,146	136,195	2,049
199,111	202,153	3,042
371,241	398,269	27,028
3,297	3,599	302
6,649,707	6,868,144	218,437
653,214	712,867	59,653
<b>13,737,835</b>	<b>14,270,503</b>	<b>532,668</b>
5,885,463	5,828,697	56,766
1,215,728	1,213,973	1,755
273,411	271,278	2,133
448,835	441,648	7,187
946,183	924,981	21,202
490,823	468,755	22,068
74,422	67,885	6,537
1,194,628	1,134,247	60,381
297,727	280,376	17,351
99,270	95,740	3,530
903,985	866,539	37,446
1,003,203	976,900	26,303
183,790	180,617	3,173
23,854	23,854	
419,917	399,967	19,950
1,185,892	808,047	377,845
52,000	52,000	
22,605	22,605	
<b>14,721,736</b>	<b>14,058,109</b>	<b>663,627</b>
<b>(983,901)</b>	<b>212,394</b>	<b>1,196,295</b>
33,694	34,209	515
1,387,869	1,451,035	63,166
(1,451,043)	(1,451,035)	8
1,584	1,608	24
<b>(27,896)</b>	<b>35,817</b>	<b>63,713</b>
(1,011,797)	248,211	1,260,008
2,413,592	2,413,592	
58,471	58,471	
<b>\$1,460,266</b>	<b>\$2,720,274</b>	<b>\$1,260,008</b>

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating revenues:</b>	
Tuition and fees	\$21,200
Sales/charges for services	352,332
Total operating revenues	373,532
<b>Operating expenses:</b>	
Personal services	232,052
Contract services	6,800
Materials and supplies	222,231
Depreciation	12,589
Total operating expenses	473,672
Operating loss	(100,140)
<b>Nonoperating revenues:</b>	
Operating grants	83,397
Federal Donated Commodities	24,148
Total nonoperating revenues	107,545
Net income	7,405
Retained earnings, July 1 (Restated)	112,928
<b>Retained earnings, June 30</b>	<b>\$120,333</b>

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



**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees	\$21,200
Cash received from sales/service charges	352,332
Cash payments for personal services	(230,772)
Cash payments for contract services	(6,800)
Cash payments supplies and materials	(199,646)
	(63,686)
Net cash used by operating activities	
<b>Cash flows from noncapital financing activities:</b>	
Cash received from operating grants	95,012
	31,326
Net increase in cash and cash equivalents	
Cash and cash equivalents at beginning of year	57,756
	<b>\$89,082</b>
<b>Cash and cash equivalents at end of year</b>	
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	(\$100,140)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>	
Depreciation	12,589
Federal donated commodities	24,148
Changes in assets and liabilities:	
Decrease in supplies inventory	1,681
Decrease in accounts receivable	(2,017)
Increase in accrued wages and benefits	(21)
Increase in compensated absences payable	(2,133)
Increase in pension obligation payable	3,434
Decrease in deferred revenue	(1,227)
	(\$63,686)
<b>Net cash used by operating activities</b>	
	<b>(\$63,686)</b>

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

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**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Firelands Local School District, Lorain County, (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under an elected Board of Education, consisting of five members, and is responsible for the provision of public education to residents of the District.

The District is the 268<sup>th</sup> largest in the State of Ohio (among the 682 public and community school districts in the state) in terms of enrollment. It is staffed by 92 non-certificated and 139 certificated personnel to provide services to approximately 2,077 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity. When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

*JOINTLY GOVERNED ORGANIZATIONS:*

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 each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Lorain County Joint Vocational School District is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Lorain County Vocational School District, 15181 State Route 58, Oberlin, Ohio.

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Lake Erie Education Computer Association (LEECA)

The Lake Erie Education 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 (with the aid and other electronic equipment) to administrative and instructional functions among member districts. Each of the governments 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 the 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 the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Lorain County Board of Education, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen 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, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance. The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC 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 Educational Service Center of Lorain County, who serves as fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

The District is also a member of two public entity risk-sharing pools, described in Note 10.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related

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liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

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

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

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

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

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

**FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's only Fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis. There were no items which, in other fund types, would be subject to accrual at June 30, 2001.

**ACCOUNT GROUPS**

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

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

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General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, grants, entitlements, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Lorain County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation, any function appropriation or any object appropriation must be approved by the Board of Education.

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7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2001 in the following amounts:

	<u>Increase</u>
General Fund	\$1,139,390
Special Revenue Funds	1,082,211
Capital Projects Funds	274,155
Enterprise Funds	41,676
Internal Service Fund	1,895
Total Net Increase	<u>\$2,539,327</u>

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and there were no encumbrances outstanding for the enterprise funds at fiscal year-end.

**E. Cash and Investments**

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

During fiscal 2001, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), and a repurchase agreement. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices. Investments in nonparticipating investment contracts, such as repurchase agreements and non-negotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment



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Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2001 amounted to \$202,153, which includes \$130,274 assigned from other District funds.

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

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**F. Inventory**

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

A. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

B. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

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Asset	Life (years)
Furniture, Fixtures and Equipment	15 - 20

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age and with at least 3 years with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

**J. Long-Term Obligations**

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

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal interest. GAAP requires the allocation of the debt liability among the general and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**K. Fund Balance Reserves**

The District records reservations for portions of fund equity, which are legally segregated for specific future use, or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity,

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which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, tax advance unavailable for appropriation, and debt service. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations under State statute.

**L. Interfund Transactions**

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable." The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

See Note 5 for an analysis of interfund transactions.

**M. Statutory Reserves**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 27,964		\$ 140,758
Current year set-aside requirement	282,972	\$ 282,972	
Change in statutory requirement			(140,758)
Qualifying disbursements	<u>(461,905)</u>	<u>(485,367)</u>	<u>          </u>
Total	<u>(150,969)</u>	<u>(202,395)</u>	<u>          </u>
Balance carried forward to FY 2002	<u><u>\$(150,969)</u></u>	<u>          </u>	<u>          </u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, only the extra amounts spent for textbooks may be used to reduce the set-aside requirements of future years.

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Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code Section 5705.29, effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. All monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

**N. Estimates**

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**O. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Financial Statement Presentation and Basis of Accounting**

For the year ended June 30, 2001, the District has presented for the first time GPFS by fund type and account group in accordance with GAAP. In conjunction with this presentation, the District has converted its governmental funds to the modified accrual basis of accounting and its proprietary funds to the accrual basis of accounting. This conversion required that certain adjustments be recorded to the June 30, 2000 fund balances/retained earnings as previously reported to reflect the prior years' effect of adopting these new accounting principles. The restatements to the opening fund balances are as follows:

<u>Fund Type</u>	<u>Fund Balance/ Retained Earnings as Previously Recorded at June 30, 2000</u>	<u>Adjustments</u>	<u>Restated Balance at July 1, 2000</u>
General	\$1,170,697	\$(101,194)	\$1,069,503
Special Revenue	354,971	(115,044)	239,927
Debt Service	7,386		7,386
Capital Projects	939,011	21,978	960,989
Enterprise	57,756	55,172	112,928

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the

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criteria established for accrual basis revenue recognition must be met and the revenues must be available.

**B. Deficit Fund Balances**

Fund balances at June 30, 2001 include the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Title I	\$(15,667)
Miscellaneous Federal Grants	(71,393)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents." Statutes require the classification of monies held by the District into three categories:

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

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

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

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

Interim monies may be invested or deposited 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;

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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% 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;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

*Deposits:* At year-end, the carrying amount of the District's deposits was (\$36,964) and the bank balance was \$1,303 (both exclusive of payroll clearing and bond accounts). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank account. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments."

*Investments:* Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

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	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase agreements	\$60,000	\$ 60,000	\$ 60,000
Not subject to categorization:			
STAR Ohio	_____	<u>3,091,709</u>	<u>3,091,709</u>
Total investments	<u>\$60,000</u>	<u>\$3,151,709</u>	<u>\$3,151,709</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,114,745	
Investments of the cash management pool:		
Investment in STAR Ohio	(3,091,709)	\$3,091,709
Repurchase Agreement	<u>(60,000)</u>	<u>60,000</u>
GASB Statement No. 3	<u>\$ (36,964)</u>	<u>\$3,151,709</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
General Fund	\$113,960	
<u>Special Revenue Funds</u>		
Miscellaneous Federal Grants		\$(78,950)
<u>Capital Projects Funds</u>		
ADA Grant	_____	<u>(35,010)</u>
Total Interfund Loans	<u>\$113,960</u>	<u>\$(113,960)</u>

B. The following is a reconciliation of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 86,395	\$(1,159,680)
<u>Special Revenue Funds</u>		
Underground Storage Tank		(11,000)
Title VI-B	77,477	(15,000)
Title I	43,907	(71,395)
Title VI	15,199	
Miscellaneous Federal Grants	18,434	

**FIRELANDS LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

Debt Service Fund	74,605	
<u>Capital Projects Funds</u>		
Permanent Improvement	<u>941,058</u>	
Total Transfers	<u>\$1,257,075</u>	<u>\$(1,257,075)</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after April 1, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market and railroads, which are assessed at 29% of market value.

Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$165,693,950	86.70	\$194,595,850	88.32
Public Utility Personal	15,180,740	7.94	14,933,720	6.78
Tangible Personal Property	<u>10,246,397</u>	<u>5.36</u>	<u>10,789,118</u>	<u>4.90</u>
	<u>\$191,121,087</u>	<u>100.00</u>	<u>\$220,318,688</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$40.50		\$40.50
Permanent Improvement		1.40		1.40
Special Purpose		8.50		7.10

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

The District receives property taxes from Lorain County and Erie County. The County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remit to the District its portion of the



**FIRELANDS LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount recorded as an advance, and recorded as revenue, at June 30, 2001 was \$987,894 in the general fund, and \$49,394 in the Permanent Improvement capital projects fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. Intergovernmental receivables have been recorded as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$6,285,536
 <u>Special Revenue Funds</u>	
Due From Other Governments	\$113,506
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	291,793
Due From Other Governments	96,480

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Land/Improvements	\$ 1,373,324	\$ 67,195		\$ 1,440,519
Buildings/Improvements	6,465,612	7,640		6,473,252
Furniture/Equipment	2,118,417	199,900		2,318,047
Vehicles	833,556	186,279		1,019,835
<b>Total</b>	<b>\$10,825,631</b>	<b>\$399,022</b>		<b>\$11,251,653</b>

**FIRELANDS LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 259,278
Less: Accumulated Depreciation	<u>(188,539)</u>
Net Fixed Assets	<u>\$ 70,739</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District has entered into capital leases for copiers. New leases are accounted for as a capital outlay expenditure and other financing sources.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$4,040, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$1,252. This amount is reflected as debt service principal retirement in the General fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001.

<u>Year Ending June 30</u>	<u>Copiers</u>
2002	<u>\$1,612</u>
Total Future Minimum Lease Payments	1,612
Less: Amount Representing Interest	<u>(74)</u>
Present Value of Future Minimum Lease Payments	<u>\$1,538</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A.** Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. The notes were issued in fiscal year 1997 in the amount of \$575,000 under the authority of H.B. 264. Accordingly, these notes are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

The following is a description of the District's energy conservation notes outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/2000</u>	<u>Retired in Fiscal 2001</u>	<u>Balance 06/30/2001</u>
Energy Conservation Notes	5.50%	02/20/97	12/06/06	<u>\$437,000</u>	<u>\$(52,000)</u>	<u>\$385,000</u>

- B.** The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	70,000	5,995	75,995
2007	<u>74,000</u>	<u>2,035</u>	<u>76,035</u>
Total	<u>\$385,000</u>	<u>\$67,238</u>	<u>\$452,238</u>

- C.** During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid. The capital lease obligation is paid from the general fund.

<u>2001</u>	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30,</u>
Energy notes payable	\$ 437,000		\$ (52,000)	\$ 385,000
Capital lease obligation	2,790		(1,252)	1,538
Compensated absences	755,118	\$ 78,743	(27,910)	805,951
Pension obligation payable	<u>90,103</u>	<u>101,964</u>	<u>(90,103)</u>	<u>101,964</u>
Total	<u>\$1,285,011</u>	<u>\$180,707</u>	<u>\$(171,265)</u>	<u>\$1,294,453</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Revised Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Revised Code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$19,836,068 (including available funds of \$7,386), an unvoted debt margin of \$220,319, and an unvoted energy conservation debt margin of \$1,597,868.

**FIRELANDS LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Nationwide Insurance Company for fleet and professional liability insurance. The District has contracted with LERC to provide insurance coverage for property, boiler and machine, inland marine and employee theft. Coverages provided and deductibles are as follows:

Building and Contents-replacement cost (\$2500 deductible)	\$21,461,457 value
Inland Marine Coverage (\$2500 deductible)	224,716 value
Boiler and Machinery (\$2500 deductible)	10,000,000 limit
Automobile Liability (\$100 deductible for comprehensive)	2,000,000 limit
Uninsured Motorists (no deductible)	2,000,000 limit
Employee Theft (\$500 deductible)	25,000 limit

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage during the past three years.

**B. Employee Health and Dental**

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. The LERC is a pool comprised of fourteen Lorain County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. The pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$165,000 for any employee in a year. This plan provides a medical/surgical plan with deductibles of \$50 for single and \$100 for family coverage.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member board of directors consisting of the President, the President-Elect and the Immediate Past President of the 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 worker's 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 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.

**FIRELANDS LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, community recreation, and a latchkey program. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Community Recreation</u>	<u>Latch Key Program</u>	<u>Total</u>
Operating revenue	\$333,258	\$21,200	\$1,620	\$17,454	\$373,532
Operating expenses	436,388	18,502	1,855	16,927	473,672
Operating income (loss)	(103,130)	2,698	(235)	527	(100,140)
Operating grants	83,397				83,397
Net income	4,415	2,698	(235)	527	7,405
Net working capital	9,944	10,693	275	37,559	58,471
Total assets	117,647	10,693	278	38,973	167,591
Long-term liabilities to be paid from revenues	8,877				8,877
Total equity	71,806	10,693	275	37,559	120,333

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$237,602, \$210,008, and \$203,482, respectively; 47% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$124,842, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$897,766, \$825,496, and \$754,137, respectively; 83% has been contributed for fiscal year 2001 and 100 % for the fiscal years 2000 and 1999. \$153,308, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. Through June 30, 2001, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$288,568 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$197,712 during the 2001 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	<b>Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>		
	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$(340,514)	\$13,364	\$575,361
Net adjustment for revenue accruals	27,977	(1,930)	3,394
Net adjustment for expenditure accruals	(119,309)	3,486	2,922
Net adjustment for other financing sources (uses)	(249)	1,050	(35,010)
Encumbrances (budget basis)	<u>18,262</u>	<u>28,576</u>	<u>208,943</u>
GAAP basis	<u><u>\$(413,833)</u></u>	<u><u>\$44,546</u></u>	<u><u>\$755,610</u></u>

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

**B. Litigation**

The District was party to legal proceedings, however any liability is expected to be covered by insurance.

**C. School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of April 4, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.



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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**NOTE 17 - OUTSTANDING CONTRACTUAL COMMITMENTS**

At June 30, 2001, the District had the following outstanding contractual commitments:

<u>Firelands Elementary School</u>			
<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
Poules & Associates Architects, Inc.	\$ 239,000	\$ 98,335	\$ 140,665
Bramhall Engineering & Surveying Co.	138,620	5,933	132,687
William Brothers Builders	135,488		135,488
Star Builders, Inc.	933,648		933,648
Johnson Plumbing & Heating	200,937		200,937
Southshore Electric	<u>119,850</u>		<u>119,850</u>
Total Contractual Commitments	<u>\$1,767,543</u>	<u>\$104,268</u>	<u>\$1,663,275</u>

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed through the Ohio Department of Education</i>		
<i>Nutrition Cluster:</i>		
Food Distribution	n/a	10.550
National School Lunch	LL P1 2000 LL P4 2000 LL P1 2001 LL P4 2001	10.555
<b>Total - National School Lunch</b>		
Special Milk Program	02 PU 2000 02 PU 2001	10.556
<b>Total - Special Milk Program</b>		
<b>Total Department of Agriculture- Nutrition Cluster</b>		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Direct Program</i>		
21st Century Community Learning Centers	n/a	84.287
<i>Passed through the Ohio Department of Education</i>		
Special Education - Grants to States	6B-SF 1998 P 6B-SF 1999 P 6B-SF 2000 P	84.027
<b>Total - Special Education Grants to States</b>		
Title I Grants to Local Educational Agencies	C1-S1 2001 C1-S1 2000 C1-S1 1999	84.010
<b>Total - Title I Grants to Local Educational Agencies</b>		
Safe and Drug Free Schools and Communities - State Grants	DR-S1 2001 DR-S1 1999	84.186
<b>Total - Safe and Drug Free Schools and Communities - State Grants</b>		
Eisenhower Professional Development State Grant	MS-S1 2001	84.281
Innovative Education Program Strategies	C2-S1 2001	84.298
Class Size Reduction	CR-S1 2001	84.340
Comprehensive School Reform Demo	RF-S1 2000	84.332
<b>Total Department of Education</b>		
<b>TOTALS</b>		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$22,881		\$24,108
\$11,669		\$11,669	
7,899		7,899	
44,119		44,119	
25,649		25,649	
<u>89,336</u>		<u>89,336</u>	
790		790	
1,970		1,970	
<u>2,760</u>		<u>2,760</u>	
92,096	22,881	92,096	24,108
328,078		328,120	
48,359		33,359	
59,657		59,657	
33,205		110,682	
<u>141,221</u>		<u>203,698</u>	
59,116		100,025	
83,449		11,978	
71,395			
<u>213,960</u>		<u>112,003</u>	
2,565		1,599	
7,366		7,366	
<u>9,931</u>		<u>8,965</u>	
6,049		1,696	
1,837		19,965	
8,600		26,334	
		157,328	
<u>709,676</u>		<u>858,109</u>	
<b><u>\$801,772</u></b>	<b><u>\$22,881</u></b>	<b><u>\$950,205</u></b>	<b><u>\$24,108</u></b>

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

**NOTE C – MATCHING REQUIREMENTS**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

Firelands Local School District  
Lorain County  
11970 Vermilion Road  
Oberlin, Ohio 44074-9499

To the Board of Education:

We have audited the financial statements of Firelands Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated April 4, 2002, in which we noted the District changed certain accounting policies and financial reporting practices. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated April 4, 2002.

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

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

**Jim Petro**  
Auditor of State

April 4, 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 MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Firelands Local School District  
Lorain County  
11970 Vermilion Road  
Oberlin, Ohio 44074-9499

To the Board of Education:

**Compliance**

We have audited the compliance of Firelands Local School District (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, 2001. 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, 2001. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated April 4, 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. However, we noted a matter involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated April 4, 2002.

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

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

**Jim Petro**  
Auditor of State

April 4, 2002

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	21 <sup>st</sup> Century Community Learning Centers (CFDA # 84.287)  Special Education Grants to States (CFDA # 84.027)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No.

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-10847-001	Failure to prepare financial reports in accordance with Generally Accepted Accounting Principles	Yes	Finding No Longer Valid
2000-10847-002	Expenditures in excess of amounts appropriated	Yes	Finding No Longer Valid
2000-10847-003	Failure to complete certificate of adequate revenue for required transactions	Yes	Finding No Longer Valid
2000-10847-004	Budgets not modified during the course of the fiscal year	Yes	Finding No Longer Valid
2000-10847-005	Board improperly delegated authority to reappropriate funds	Yes	Finding No Longer Valid



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  
MAY 16, 2002**