

LORAIN CITY SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
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Board of Education
Lorain City School District
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We have reviewed the independent auditor's report of the Lorain City School District, Lorain County, prepared by Costin + Company, for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lorain City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 17, 2001

LORAIN CITY SCHOOL DISTRICT

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COSTIN + COMPANY

Certified Public Accountants

35945 Center Ridge Road

North Ridgeville, OH 44039

INDEPENDENT AUDITOR'S REPORT

Board of Education
Lorain City School District

We have audited the accompanying general purpose financial statements of the Lorain City School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lorain City School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the Trust), which represents 54% and 97%, respectively, of the assets and revenues of the Internal Service Fund Type. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Trust is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States and the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of State and 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 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 general purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements present fairly, in all material respects, the financial position of the Lorain City School District, as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 4 to the financial statements, in 2000 the District changed its method of accounting for its component unit, the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the Trust).

In accordance with "Government Auditing Standards", we have also issued our report dated December 18, 2000 on our consideration of the Lorain City School District's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with "Governmental Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Lorain City School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the general purpose financial statements. Such information has been subjected to 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.

North Ridgeville, Ohio
December 18, 2000

LORAIN CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types			Proprietary
	General	Special Revenue	Capital Projects	Enterprise
<u>Assets and other debits</u>				
Pooled cash and investments	\$ 8,777,469	\$ 3,082,874	\$ 403,283	\$ 752,262
Restricted cash	504,559	-	-	-
Receivables, net				
Taxes, current	24,407,994	-	-	-
Taxes, delinquent	1,079,509	-	-	-
Accounts and other	24,007	50,003	-	139
Due from other governments	30,131	60,141	-	544
Deposits and other	-	-	-	-
Interfund receivable	1,884,475	6,000	-	-
Contract receivable	50,000	-	-	-
Inventories and supplies	-	-	-	21,705
Fixed assets	-	-	-	982,674
Accumulated depreciation	-	-	-	(669,107)
Amount to be provided for debt service	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
Total assets and other debits	<u>\$ 36,758,144</u>	<u>\$ 3,199,018</u>	<u>\$ 403,283</u>	<u>\$ 1,088,217</u>

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

Fund Types	Fiduciary		Account Groups		Totals (Memorandum Only)
	Internal Service	Agency	General Fixed Assets	General Long - term Debt	
\$ 2,504,881	\$ 744,987	\$ -	\$ -	\$ 16,265,756	
-	-	-	-	504,559	
-	-	-	-	24,407,994	
-	-	-	-	1,079,509	
14,422	-	-	-	88,571	
22,062	-	-	-	112,878	
139,903	-	-	-	139,903	
-	-	-	-	1,890,475	
-	-	-	-	50,000	
-	-	-	-	21,705	
-	-	54,272,978	-	55,255,652	
-	-	-	-	(669,107)	
-	-	-	1,718,710	1,718,710	
-	-	-	8,356,441	8,356,441	
-	-	-	2,387	2,387	
<u>\$ 2,681,268</u>	<u>\$ 744,987</u>	<u>\$ 54,272,978</u>	<u>\$ 10,077,538</u>	<u>\$ 109,225,433</u>	

LORAIN CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types			Proprietary
	General	Special Revenue	Capital Projects	Enterprise
<u>Liabilities, fund equity and other credits</u>				
Liabilities				
Accounts and contracts payable	\$ 392,321	\$ 172,408	\$ 19,620	\$ 520,825
Claims payable	-	-	-	-
Accrued salaries and benefits	3,351,274	445,239	-	3,021
Undistributed monies	-	-	-	-
Due to students	-	-	-	-
Due to other governments	1,270,440	77,800	-	132,473
Interfund payable	-	604,231	916,000	234,195
Due to others	-	-	-	-
Deferred revenue	21,539,519	-	-	5,584
Notes payable	6,359,405	-	-	-
Bonds payable	-	-	-	-
Capital leases	-	-	-	-
Accrued leave benefits	339,800	9,080	-	616
Total liabilities	33,252,759	1,308,758	935,620	896,714
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Retained earnings				
Unreserved	-	-	-	191,503
Fund balances				
Reserved	5,819,358	577,011	70,201	-
Unreserved	(2,313,973)	1,313,249	(602,538)	-
Total fund equity and other credits	3,505,385	1,890,260	(532,337)	191,503
Total liabilities, fund equity and other credits	\$ 36,758,144	\$ 3,199,018	\$ 403,283	\$ 1,088,217

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

Fund Types		Fund Types	Account Groups		Totals
Internal	Service	Agency	General Fixed Assets	General Long - term Debt	(Memorandum Only)
\$	243,917	\$ 1,741	\$ -	\$ -	\$ 1,350,832
	609,800	-	-	-	609,800
	17,179	-	-	-	3,816,713
	-	24,379	-	-	24,379
	-	25,759	-	-	25,759
	241,268	-	-	583,332	2,305,313
	136,049	-	-	-	1,890,475
	-	693,108	-	-	693,108
	-	-	-	-	21,545,103
	-	-	-	-	6,359,405
	-	-	-	1,718,710	1,718,710
	-	-	-	2,387	2,387
	-	-	-	7,773,109	8,122,605
	<u>1,248,213</u>	<u>744,987</u>	<u>-</u>	<u>10,077,538</u>	<u>48,464,589</u>
	-	-	54,272,978	-	54,272,978
	1,433,055	-	-	-	1,624,558
	-	-	-	-	6,466,570
	-	-	-	-	(1,603,262)
	<u>1,433,055</u>	<u>-</u>	<u>54,272,978</u>	<u>-</u>	<u>60,760,844</u>
\$	<u>2,681,268</u>	\$ <u>744,987</u>	\$ <u>54,272,978</u>	\$ <u>10,077,538</u>	\$ <u>109,225,433</u>

LORAIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 25,137,056	\$ -	\$ -	\$ -
Tuition and fees	75,041	-	-	-
Interest	1,221,703	11,288	-	-
Intergovernmental	40,805,603	13,987,921	-	586,450
Extracurricular	-	484,937	-	-
Miscellaneous	339,454	297,337	-	-
Total revenues	<u>67,578,857</u>	<u>14,781,483</u>	<u>-</u>	<u>586,450</u>
Expenditures				
Current				
Instruction				
Regular	30,699,608	4,530,338	-	28,647
Special	6,263,590	5,086,651	-	19,620
Vocational education	4,476,843	331,645	-	32,579
Adult continuing	-	224,351	-	-
Other	125,482	121,723	-	-
Supporting services				
Pupil	2,240,245	413,915	-	-
Instructional	3,614,576	1,369,533	-	-
Board of education	372,888	-	-	-
Administration	5,890,199	640,015	-	-
Fiscal	961,751	-	-	-
Business	608,134	67,863	-	-
Operation and maintenance	6,062,731	81,481	-	493,528
Pupil transportation	2,136,302	2,025	-	-
Central services	231,477	353,972	-	-
Operation of non-instructional services				
Food service operations	-	4,178	-	-
Community services	-	1,347,349	-	-
Extracurricular				
Academic oriented	424,816	95,036	-	-
Occupation oriented	-	1,090	-	-
Sports oriented	648,360	267,143	-	-
Co-curricular	-	52,270	-	-
Capital outlay	-	121,029	-	-
Debt service				
Principal	41,234	-	611,259	-
Interest	481,933	-	116,514	-
Total expenditures	<u>65,280,169</u>	<u>15,111,607</u>	<u>727,773</u>	<u>574,374</u>
Excess (deficiency) of revenues over expenditures	<u>2,298,688</u>	<u>(330,124)</u>	<u>(727,773)</u>	<u>12,076</u>
Other financing sources (uses)				
Gain on sale of assets	109,976	-	-	-
Operating transfers in	7,695	305,046	727,773	-
Operating transfers out	(1,317,242)	(2,881)	-	(37,629)
Total other financing sources (uses)	<u>(1,199,571)</u>	<u>302,165</u>	<u>727,773</u>	<u>(37,629)</u>
Excess (deficiency) of revenues over expenditures and other source (uses)	1,099,117	(27,959)	-	(25,553)
Fund balances, beginning of year, restated	2,406,268	1,918,219	-	(506,784)
Fund balances, end of year	<u>\$ 3,505,385</u>	<u>\$ 1,890,260</u>	<u>\$ -</u>	<u>\$ (532,337)</u>

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

Totals
(Memorandum
Only)

\$ 25,137,056
75,041
1,232,991
55,379,974
484,937
636,791

82,946,790

35,258,593
11,369,861
4,841,067
224,351
247,205

2,654,160
4,984,109
372,888
6,530,214
961,751
675,997
6,637,740
2,138,327
585,449

4,178
1,347,349

519,852
1,090
915,503
52,270
121,029

652,493
598,447

81,693,923

1,252,867

109,976
1,040,514
(1,357,752)

(207,262)

1,045,605
3,817,703

\$ 4,863,308

LORAIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 24,105,664	\$ 24,226,062	\$ 120,398
Tuition and fees	135,000	75,041	(59,959)
Interest	1,140,931	1,218,665	77,734
Intergovernmental	40,310,913	40,775,472	464,559
Extracurricular	-	-	-
Miscellaneous	315,000	326,403	11,403
Total revenues	<u>66,007,508</u>	<u>66,621,643</u>	<u>614,135</u>
Expenditures			
Current			
Instruction			
Regular	31,480,281	31,443,001	37,280
Special	6,552,949	6,458,271	94,678
Vocational education	4,795,454	4,587,253	208,201
Adult continuing	-	-	-
Other	-	-	-
Supporting services			
Pupil	2,275,061	2,254,739	20,322
Instructional	3,877,229	3,871,770	5,459
Board of education	444,100	440,648	3,452
Administration	6,142,864	6,005,265	137,599
Fiscal	1,060,600	998,154	62,446
Business	654,111	651,509	2,602
Operation and maintenance	6,912,622	6,774,577	138,045
Pupil transportation	2,240,264	2,213,867	26,397
Central services	239,652	231,880	7,772
Operation of non-instructional services			
Food service operations	-	-	-
Community services	-	-	-
Extracurricular activities	1,082,680	1,074,210	8,470
Capital outlay	460,355	460,355	-
Debt Service			
Principal	824,276	824,276	-
Interest	476,745	476,745	-
Total expenditures	<u>69,519,243</u>	<u>68,766,520</u>	<u>752,723</u>
Excess (deficiency) of revenues over expenditures	<u>(3,511,735)</u>	<u>(2,144,877)</u>	<u>1,366,858</u>
Other financing sources (uses)			
Gain on sale of assets	117,139	118,324	1,185
Operating transfers in	-	8,123	8,123
Advances in	285,134	308,761	23,627
Refund of prior year expenditures	560,436	561,036	600
Advances out	(738,173)	(619,963)	118,210
Refund of prior year receipts	-	-	-
Operating transfers out	(1,178,868)	(1,178,868)	-
Total other financing sources (uses)	<u>(954,332)</u>	<u>(802,587)</u>	<u>151,745</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(4,466,067)</u>	<u>(2,947,464)</u>	<u>1,518,603</u>
Prior year encumbrances	1,623,333	1,623,333	-
Fund balances, beginning of year	8,897,025	8,897,025	-
Fund balances, end of year	<u>\$ 6,054,291</u>	<u>\$ 7,572,894</u>	<u>\$ 1,518,603</u>

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
11,288	11,288	-	-	-	-
14,602,439	14,442,382	(160,057)	-	-	-
502,421	485,498	(16,923)	-	-	-
301,840	308,845	7,005	-	-	-
<u>15,417,988</u>	<u>15,248,013</u>	<u>(169,975)</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,953,256	4,486,702	466,554	-	-	-
5,994,962	5,540,283	454,679	-	-	-
420,665	361,213	59,452	-	-	-
225,441	221,978	3,463	-	-	-
121,723	121,723	-	-	-	-
577,505	424,303	153,202	-	-	-
1,739,551	1,435,566	303,985	-	-	-
-	-	-	-	-	-
1,046,441	676,906	369,535	-	-	-
-	-	-	-	-	-
67,967	67,963	4	-	-	-
130,496	95,101	35,395	-	-	-
3,120	2,725	395	-	-	-
583,732	532,421	51,311	-	-	-
16,380	4,466	11,914	-	-	-
1,492,705	1,382,925	109,780	-	-	-
466,818	447,778	19,040	-	-	-
74,682	155,275	(80,593)	-	-	-
-	-	-	611,259	611,259	-
-	-	-	116,514	116,514	-
<u>17,915,444</u>	<u>15,957,328</u>	<u>1,958,116</u>	<u>727,773</u>	<u>727,773</u>	<u>-</u>
<u>(2,497,456)</u>	<u>(709,315)</u>	<u>1,788,141</u>	<u>(727,773)</u>	<u>(727,773)</u>	<u>-</u>
-	-	-	-	-	-
242,176	305,046	62,870	727,773	727,773	-
293,943	591,231	297,288	-	-	-
-	-	-	-	-	-
(145,620)	(145,620)	-	-	-	-
(36,189)	(35,986)	203	-	-	-
(7,472)	(2,881)	4,591	-	-	-
<u>346,838</u>	<u>711,790</u>	<u>364,952</u>	<u>727,773</u>	<u>727,773</u>	<u>-</u>
(2,150,618)	2,475	2,153,093	-	-	-
473,223	473,223	-	-	-	-
1,871,262	1,871,262	-	-	-	-
<u>\$ 193,867</u>	<u>\$ 2,346,960</u>	<u>\$ 2,153,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LORAIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ -	\$ -	\$ -
Tuition and fees	-	-	-
Interest	-	-	-
Intergovernmental	586,450	586,450	-
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>586,450</u>	<u>586,450</u>	<u>-</u>
Expenditures			
Current			
Instruction			
Regular	344,276	36,147	308,129
Special	72,695	82,321	(9,626)
Vocational education	33,984	33,610	374
Adult continuing	-	-	-
Other	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	-	-	-
Business	-	-	-
Operation and maintenance	504,066	504,066	-
Pupil transportation	-	-	-
Central services	-	-	-
Operation of non-instructional services			
Food service operations	-	-	-
Community services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>955,021</u>	<u>656,144</u>	<u>298,877</u>
Excess (deficiency) of revenues over expenditures	<u>(368,571)</u>	<u>(69,694)</u>	<u>298,877</u>
Other financing sources (uses)			
Gain on sale of assets	-	-	-
Operating transfers in	-	-	-
Advances in	-	-	-
Refund of prior year expenditures	-	-	-
Advances out	(15,000)	(15,000)	-
Refund of prior year receipts	-	-	-
Operating transfers out	(37,629)	(37,629)	-
Total other financing sources (uses)	<u>(52,629)</u>	<u>(52,629)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(421,200)	(122,323)	298,877
Prior year encumbrances	32,323	32,323	-
Fund balances, beginning of year	403,462	403,462	-
Fund balances, end of year	<u>\$ 14,585</u>	<u>\$ 313,462</u>	<u>\$ 298,877</u>

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

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 24,105,664	\$ 24,226,062	\$ 120,398
135,000	75,041	(59,959)
1,152,219	1,229,953	77,734
55,499,802	55,804,304	304,502
502,421	485,498	(16,923)
616,840	635,248	18,408
<u>82,011,946</u>	<u>82,456,106</u>	<u>444,160</u>
36,777,813	35,965,850	811,963
12,620,606	12,080,875	539,731
5,250,103	4,982,076	268,027
225,441	221,978	3,463
121,723	121,723	-
2,852,566	2,679,042	173,524
5,616,780	5,307,336	309,444
444,100	440,648	3,452
7,189,305	6,682,171	507,134
1,060,600	998,154	62,446
722,078	719,472	2,606
7,547,184	7,373,744	173,440
2,243,384	2,216,592	26,792
823,384	764,301	59,083
16,380	4,466	11,914
1,492,705	1,382,925	109,780
1,549,498	1,521,988	27,510
535,037	615,630	(80,593)
1,435,535	1,435,535	-
593,259	593,259	-
<u>89,117,481</u>	<u>86,107,765</u>	<u>3,009,716</u>
<u>(7,105,535)</u>	<u>(3,651,659)</u>	<u>3,453,876</u>
117,139	118,324	1,185
969,949	1,040,942	70,993
579,077	899,992	320,915
560,436	561,036	600
(898,793)	(780,583)	118,210
(36,189)	(35,986)	203
(1,223,969)	(1,219,378)	4,591
<u>67,650</u>	<u>584,347</u>	<u>516,697</u>
(7,037,885)	(3,067,312)	3,970,573
2,128,879	2,128,879	-
11,171,749	11,171,749	-
<u>\$ 6,262,743</u>	<u>\$ 10,233,316</u>	<u>\$ 3,970,573</u>

LORAIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Tuition and fees	\$ 43,910	\$ -	\$ 43,910
Extracurricular	16,580	-	16,580
Miscellaneous	64,245	207,112	271,357
Charges for services	1,027,641	5,947,321	6,974,962
Total operating revenues	<u>1,152,376</u>	<u>6,154,433</u>	<u>7,306,809</u>
Operating expenses			
Salaries and wages	133,099	252,387	385,486
Fringe benefits	276,021	47,143	323,164
Contractual services	3,277,173	5,922,353	9,199,526
Materials and supplies	217,211	247	217,458
Other expenses	-	121,076	121,076
Depreciation	27,698	-	27,698
Total operating expenses	<u>3,931,202</u>	<u>6,343,206</u>	<u>10,274,408</u>
Operating (loss)	<u>(2,778,826)</u>	<u>(188,773)</u>	<u>(2,967,599)</u>
Non-operating revenues			
Interest	11,138	59,557	70,695
Intergovernmental	2,488,740	131,559	2,620,299
Loss on sale of fixed assets	(3,351)	-	(3,351)
Total non-operating revenues	<u>2,496,527</u>	<u>191,116</u>	<u>2,687,643</u>
Income (loss) before operating transfers	(282,299)	2,343	(279,956)
Operating transfers in	<u>140,805</u>	<u>176,433</u>	<u>317,238</u>
Net income (loss)	(141,494)	178,776	37,282
Retained earnings, beginning of year, restated	<u>332,997</u>	<u>1,254,279</u>	<u>1,587,276</u>
Retained earnings, end of year	<u>\$ 191,503</u>	<u>\$ 1,433,055</u>	<u>\$ 1,624,558</u>

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

LORAIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities:			
Operating (loss)	\$ (2,778,826)	\$ (188,773)	\$ (2,967,599)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Donated commodities used	131,517	-	131,517
Depreciation	27,698	-	27,698
Changes in net assets (increase) decrease and liabilities increase (decrease):			
Receivables, accounts and other	11,360	(14,422)	(3,062)
Due from other governments	365,603	(919)	364,684
Deposits and other	-	(72,897)	(72,897)
Inventories and supplies	19,241	-	19,241
Accounts and contracts payable	350,916	(162,665)	188,251
Claims payable	-	(70,300)	(70,300)
Accrued salaries and benefits	(2,519)	8,929	6,410
Due to other governments	(8,674)	119,875	111,201
Interfund payable	(121,754)	2,353	(119,401)
Deferred revenue	(15,565)	-	(15,565)
Accrued leave benefits	(480)	-	(480)
Total adjustments	<u>757,343</u>	<u>(190,046)</u>	<u>567,297</u>
Net cash (used in) operating activities	<u>(2,021,483)</u>	<u>(378,819)</u>	<u>(2,400,302)</u>
Cash flows from non-capital financing activities:			
Intergovernmental revenue	2,357,223	131,559	2,488,782
Operating transfers-in	140,805	176,433	317,238
Net cash provided by non-capital financing activities	<u>2,498,028</u>	<u>307,992</u>	<u>2,806,020</u>
Cash flows from capital and related financing activities:			
Acquisition of fixed assets	(94,296)	-	(94,296)
Net cash (used in) capital and related financing activities	<u>(94,296)</u>	<u>-</u>	<u>(94,296)</u>
Cash flows provided by investing activities:			
Interest income	11,138	52,443	63,581
Net cash provided by investing activities	<u>11,138</u>	<u>52,443</u>	<u>63,581</u>
Net increase (decrease) in cash cash equivalents	393,387	(18,384)	375,003
Equity in pooled cash and equivalents, beginning of year	<u>358,875</u>	<u>1,412,046</u>	<u>1,770,921</u>
Equity in pooled cash and equivalents, end of year	<u>\$ 752,262</u>	<u>\$ 1,393,662</u>	<u>\$ 2,145,924</u>
Non-cash transactions:			
Disposal of fixed assets	<u>\$ 15,890</u>	<u>\$ -</u>	<u>\$ 15,890</u>
Reconciliation of equity in pooled cash and equivalents to equity in pooled cash and investments:			
Current assets - equity in pooled cash and equivalents	\$ 752,262	\$ 1,393,662	\$ 2,145,924
Non-current investments	-	1,111,219	1,111,219
Total equity in pooled cash and investments	<u>\$ 752,262</u>	<u>\$ 2,504,881</u>	<u>\$ 3,257,143</u>

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

LORAIN CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Lorain City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 1999 was 10,308. The District employs 850 certificated and 335 non-certificated employees.

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Lorain City School District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are combined with data of the District. The District's blended component unit is described below:

Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the Trust)-

The Trust was established in 1994 to provide health care benefits to the employees of the Lorain City School District. The Trust is directed by a twelve member Board of Trustees, eight members appointed by the District's Superintendent and four members appointed by the Lorain Education Association. Although the Trust is legally separate from the District, it should be reported as if it were part of the primary government because its sole purpose is to provide benefits to District employees for hospitalization, medical, dental, vision and prescription drugs as provided for in the collective bargaining agreement. The District's participation is disclosed in Note 15 to the financial statements.

Financial information for the Trust's year ended December 31, 1999 is presented in these financial statements as an Internal Service Fund. Complete financial statements for the Trust may be obtained by contacting the Plan Administrator at 10045 College Park, Concord Ohio 44060.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

Lake Erie Educational Computer Association - The Lorain City School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY (continued)

Lake Erie Regional Council - The Lake Erie Regional Council (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

Lorain Public Library - The library is a distinct political subdivision of the State of Ohio governed by a board of trustees. Although the Board of Education appoints new members to the board of trustees, the appointment is based upon the recommendation of the board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. The District does serve as the taxing authority for the library, which is not considered part of the District and its operations are not included within the accompanying financial statements.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

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

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds.

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

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the board of education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations. Proprietary funds include the following fund types:

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

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

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Fiduciary Fund Types

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds for the District types are as follows:

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

Account Groups

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

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

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

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances.

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

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

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside for textbooks, capital maintenance and budget stabilization. A fund balance reserve has also been established.

D. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

E. INVENTORIES AND SUPPLIES

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. Inventories are valued at cost using the first-in, first-out method.

F. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are reported in the general fixed assets account group. Purchased or constructed fixed assets are recorded at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received. Depreciation is computed for proprietary fund fixed assets using the straight-line method based on estimated useful lives of the assets. Estimated useful lives of depreciable assets consisting of equipment and vehicles is 5 to 20 years.

G. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

H. ACCRUED LEAVE BENEFITS

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

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. ACCRUED LEAVE BENEFITS (continued)

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the General Long-term Debt Account Group.

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

I. FUND EQUITY

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 for expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

J. TOTAL COLUMNS

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

K. USE OF ESTIMATES

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

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types" do not include July 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

LORAIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2000

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Budgetary Reporting

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

- 1) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).

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

	Excess (deficiency) of revenues over expenditures and other sources (uses) - reconciliation of budget basis to GAAP basis		
	General	Special Revenue	Capital Projects
Budget basis	\$ (2,947,464)	\$ 2,475	\$ (122,323)
Adjustments, increase (decrease)			
Revenue accruals	78,641	(1,057,761)	-
Expenditure accruals	3,967,940	1,027,327	96,770
GAAP basis, as reported	\$ 1,099,117	\$ (27,959)	\$ (25,553)

B. APPROPRIATIONS EXCEEDED ESTIMATED RESOURCES

The budgetary process includes a provision that appropriations may not exceed estimated resources for each fund budgeted. The following funds appropriated an amount greater than estimated resources.

	Appropriations Greater than Estimated Resources
Special Revenue Funds	
Title 1	\$ 222,909
Drug Free Schools	\$ 11,118
Goals 2000	\$ 72,635

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

C. EXPENDITURES EXCEEDED APPROPRIATIONS

Ohio Revised Code Section 5705.41(B) states in part that the District may not make any expenditure of money unless it has been appropriated. Contrary to the Revised Code Section, we noted that actual expenditures exceeded the appropriations in the Special Revenue Fund Miscellaneous State Grants by \$ 80,593 and the Capital Projects Fund Technology Equity Fund by \$ 9,626.

D. FUND EQUITY DEFICITS

Not apparent in the financial statements are fund equity deficits of \$ 231,512 in the Disadvantaged Pupil Impact Aid (DPIA) Fund, \$ 1,677 in the Management Information Fund, \$ 5,873 in the Adult Basic Education Fund, \$ 16,295 in the Vocational Education Grant Fund, \$ 916,000 in the Building Fund, and \$ 128,281 in the Rotary Fund. These fund equity deficits at year-end result from reflecting expenditures in accordance with the modified accrual and accrual bases which are substantially larger than the amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

NOTE 4 RESTATEMENT OF BEGINNING BALANCES

Beginning cash and retained earnings in the Internal Service Fund type have been restated to include the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (The Trust), a blended component unit. In prior years, financial information of the Trust was not included in the Lorain City School District's financial statements.

	Previously Reported	Adjustment	Restated
Internal Service Fund Type	June 30, 1999	June 30, 1999	June 30, 1999
Cash	\$ 981,473	\$ 430,573	\$ 1,412,046
Retained earnings	\$ 737,817	\$ 516,462	\$ 1,254,279

Beginning fund balances in the General Fund and the Special Revenue Miscellaneous Grants Fund have been restated to reflect a reclassification of prior years' expenditures.

	Previously Reported	Adjustment	Restated
	June 30, 1999	June 30, 1999	June 30, 1999
General Fund	\$ 1,989,486	\$ 416,782	\$ 2,406,268
Special Revenue Fund Type	\$ 2,335,001	\$ (416,782)	\$ 1,918,219

LORAIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2000

NOTE 5 RESERVATIONS OF FUND BALANCES

Reservations of fund balances consisted of:

	General	Special Revenue	Capital Projects	Total
Reserved for property tax	\$ 3,997,984	\$ -	\$ -	\$ 3,997,984
Reserved for textbooks	241,663	-	-	241,663
Reserved for capital maintenance	42,063	-	-	42,063
Reserved for budget stabilization	220,833	-	-	220,833
Reserved for encumbrances	1,316,815	577,011	70,201	1,964,027
	\$ 5,819,358	\$ 577,011	\$ 70,201	\$ 6,466,570

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

	Textbook	Capital Maintenance	Budget Stabilization	Total
Balance, July 1, 1999	\$ -	\$ -	\$ 220,833	\$ 220,833
Required set aside	1,398,907	1,398,907	-	2,797,814
Qualifying expenditures	(1,157,244)	(1,356,844)	-	(2,514,088)
Balance June 30, 2000	\$ 241,663	\$ 42,063	\$ 220,833	\$ 504,559

NOTE 6 DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statute classify monies held by the District into three categories.

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

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

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

- 1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or 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;

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division 1) or 2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's investment pool (STAROhio); and
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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 of debt of the District, and must be purchased with the expectation that it will be held until maturity.

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

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

The District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Pooled cash and investments."

B. DEPOSITS

At year-end, the carrying amount of the District's deposits was \$ 502,775 and the bank balance was \$ 3,906,910, all of which was covered by federal depository insurance or by collateral held by a qualified third party trustee in the name of the Lorain City School District.

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6 DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS

The District's investments are categorized below 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 for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer'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 broker or dealer or by its trust department but not in the District's name. Investment in STAROhio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value
	1	2	3	
U.S. Government securities	\$ 1,111,219	\$ -	\$ -	\$ 1,111,219
Investment in State Treasurer's Investment Pool (STAROhio)				15,156,321
				\$16,267,540

NOTE 7 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

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

	Balance	Additions	Disposals	Balance
	July 1, 1999			June 30, 2000
Land	\$ 1,787,370	\$ -	\$ -	\$ 1,787,370
Buildings and improvements	35,553,958	55,702	-	35,609,660
Furniture and equipment	16,731,951	1,437,780	1,707,818	16,461,913
Vehicles	373,580	40,455	-	414,035
	\$ 54,446,859	\$ 1,533,937	\$ 1,707,818	\$ 54,272,978

B. PROPRIETARY FUND TYPE FIXED ASSETS

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

	Balance
	June 30, 2000
Enterprise	
Equipment	\$ 957,081
Vehicles	25,593
	982,674
Less accumulated depreciation	(669,107)
Net fixed assets	\$ 313,567

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 8 DEFERRED REVENUE

Deferred revenue at year-end consisted of:

	Balance June 30, 2000
Property taxes receivable	\$ 21,489,519
Contract receivable	50,000
Federal commodities, unused	5,584
	\$ 21,545,103

NOTE 9 NOTES PAYABLE

Notes payable outstanding at year-end consisted of the following revenue anticipation notes:

	Rate of Interest	Issue Date	Maturity Date	Balance June 30, 2000
General Fund				
State loan	7.0%	3-28-96	6-15-06	\$ 3,179,701
State loan	7.0%	3-28-96	6-15-06	1,589,852
State loan	7.0%	3-28-96	6-15-06	1,589,852
				\$ 6,359,405

Debt service requirements to retire notes payable at June 30, 2000, consisted of:

Year ending June 30,	Principal	Interest	Total
2001	\$ 883,863	\$ 417,158	\$ 1,301,021
2002	947,758	353,264	1,301,022
2003	1,016,271	284,750	1,301,021
2004	1,089,738	211,284	1,301,022
2005	1,168,515	132,507	1,301,022
2006	1,253,260	47,763	1,301,023
	\$ 6,359,405	\$ 1,446,726	\$ 7,806,131

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 10 BONDS PAYABLE

	Outstanding June 30, 1999	Additions	Deductions	Outstanding June 30, 2000
General obligation bonds				
Energy conservation improvement bonds (1993) 5.95% through 2002	\$ 1,200,000	\$ -	\$ 300,000	\$ 900,000
Energy conservation refunding bonds, (1993) 5.7% through 2000	340,000	-	230,000	110,000
Energy conservation improvement bonds, (1996) 5.5% through 2007	789,969	-	81,259	708,710
	<u>\$ 2,329,969</u>	<u>\$ -</u>	<u>\$ 611,259</u>	<u>\$ 1,718,710</u>

Debt service requirements to retire bonds payable outstanding at June 30, 2000, consisted of:

Year ending June 30,	Principal	Interest	Total
2001	495,729	84,382	580,111
2002	390,444	58,552	448,996
2003	395,418	35,591	431,009
2004	100,666	21,273	121,939
2005	106,203	15,584	121,787
2006 - 2007	230,250	12,834	243,084
	<u>\$ 1,718,710</u>	<u>\$ 228,216</u>	<u>\$ 1,946,926</u>

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 11 CAPITAL LEASES

The Lorain City School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Assets Account Group and the General Long-term Debt Account Group, respectively. Assets under capital leases totaled \$ 163,026 at June 30, 2000.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2000:

	Year ending June 30,	Amount
Total minimum lease payments	2001	\$ 2,463
Less amount representing interest		(76)
Net present value of minimum lease payments		\$ 2,387

NOTE 12 GENERAL LONG-TERM DEBT

Changes in general long-term debt consisted of:

	Outstanding June 30, 1999	Additions	Deductions	Outstanding June 30, 2000
Due to other governments	\$ 518,944	\$ 583,332	\$ 518,944	\$ 583,332
Bonds payable	2,329,969	-	611,259	1,718,710
Capital leases	43,621	-	41,234	2,387
Accrued leave benefits	7,557,043	686,062	469,996	7,773,109
	\$ 10,449,577	\$ 1,269,394	\$ 1,641,433	\$ 10,077,538

NOTE 13 OPERATING LEASES

The Lorain City School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the District's account groups. During 2000, expenditures for operating leases totaled \$ 172,044.

The following is a schedule of future minimum rental payments required under the operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2000:

	Year ending June 30,	Amount
	2001	\$ 186,318
	2002	186,321
	2003	151,013
Total minimum lease payments		\$ 523,652

LORAIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2000

NOTE 14 PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Taxes collected on real property, other than public utility, in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property, other than public utility, in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business, except for public utilities, is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously. The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the District its portion of the taxes collected.

The tax applied to real property collected in 2000 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 55.49 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 32.61 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 48.90 per \$ 1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 2000, was \$ 55.49 per \$ 1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$ 3,997,984 and is recognized as revenue and fund balance reserved for property taxes.

The property valuation consisted of:

Real Property - 1999	
Residential / Agricultural	\$ 370,224,580
Commercial / Industrial	100,489,930
Public Utilities	907,640
Tangible Personal Property - 2000	
General	132,572,960
Public Utilities	41,578,680
	\$ 645,773,790

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. For the past several years, settled claims from these risks have not exceeded commercial coverage.

In order to minimize the annual cost of medical insurance, the Lorain City School District Board of Education and unions that represent its employees have entered into a Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (The Trust). The Trust provides health care benefits, dental benefits, vision benefits and prescription drug benefits for full time employees, their spouses and dependents, and for other persons who, according to Board of Education policy, are eligible for them. Health care expenses are paid by The Trust until certain coverage limits are reached. At that point, expenses are paid through "stop-loss" insurance coverage. The Trust has hired Medical Mutual of Ohio to process claims for benefits. The Trust purchases its stop-loss insurance coverage from Medical Mutual of Ohio. Additionally, the Trust purchases or pays for benefit coverage for dental care, vision care and prescription drugs expenses through other companies. Dental care is provided through Connecticut General Life Insurance Company; vision care is provided through Vision Services, Inc. and prescription drugs are provided through Pharmacy-Card, Inc.

Contributions by the Lorain City School District Board of Education to fund benefits are limited by provisions in the union contracts with its employees. Those union contracts require the Plan Trustees to devise cost containment measures in the event that benefit expenditures exceed money contributions that the Board of Education is required to make. Thus, in future years, contributions from employees may be required, or other cost containing measures may be implemented.

The Trust establishes a liability for both reported and unreported insured events. Changes in the balance of claims liability are summarized below. Incurred claims and claim payments are not segregated between current and prior year claims due to the impracticability of obtaining such information.

	June 30, 2000	June 30, 1999
Unpaid claims, beginning of year	\$ 680,100	\$ 767,460
Incurred claims	821,400	901,610
Paid claims	(891,700)	(988,970)
Unpaid claims, end of year	\$ 609,800	\$ 680,100

NOTE 16 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 16 PENSION PLANS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the Lorain City School District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The Lorain City School District's contributions to SERS for the years ended June 30, 2000, 1999, and 1998 were \$ 1,020,600, \$ 884,000, and \$ 832,100,, respectively. The full amount has been contributed for 1999 and 1998. For 2000, 39% has been contributed with the remainder being reported as a fund liability within the respective funds and the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The Lorain City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Lorain City School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Lorain City School District's contribution to STRS for the years ended June 30, 2000, 1999, and 1998 were \$ 6,353,700, \$ 5,759,700, and \$ 5,593,500, respectively. The full amount has been contributed for 1999 and 1998. For 2000, 83% has been contributed with the remainder being reported as a liability within the respective funds.

NOTE 17 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The Ohio Revised Code gives the School Employees Retirement System (SERS) the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service, up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 2000 (the latest information available) the allocation rate is 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$ 12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 17 POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (continued)

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$ 140,696,340 and the target level was \$ 211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$ 252.3 million.

The number of participants receiving health care benefits is approximately 50,000. The portion of the District's contributions that were used to fund postemployment benefits amounted to \$ 729,700.

B. STATE TEACHERS RETIREMENT SYSTEM

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

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

The Retirement Board allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$ 3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, will be 4.5% of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$ 283,137,000. There were 99,011 eligible benefit recipients.

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts 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 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 operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2000, the District paid \$ 234,500 to LEECA for basic service charges.

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS (continued)

B. LAKE ERIE REGIONAL COUNCIL (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization among thirteen 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 provided 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 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 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 located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2000 the District paid \$ 285,700 to LERC.

NOTE 19 PENDING LITIGATION

The Lorain City School District is a defendant in certain litigation, the outcome of which cannot be determined. It is the opinion of the District's management that any judgement against the District would not have a material adverse effect on the District's financial position.

NOTE 20 OTHER MATTERS - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$ 37,881,800 of school foundation support for its general fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the District to borrow money from commercial financial institutions, with repayment going directly to the lender from the State through withholding a portion of the District's future school foundation payments. In prior fiscal years, the District had borrowed \$ 9,337,816 under this program; the final payment of this note will be made in fiscal year 2006. The terms of this debt are further described in Note 9 to these financial statements.

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

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 20 OTHER MATTERS - SCHOOL FUNDING (continued)

State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency loan assistance program.

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

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

NOTE 21 SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service, uniform school supplies, rotary, and adult education. Segment information related to these funds follows:

	Food Service	Uniform School Supplies	Rotary	Adult Education	Total
Operating revenues	\$ 1,027,641	\$ 3,175	\$ 99,162	\$ 22,398	\$ 1,152,376
Operating expenses					
Salaries and wages	61,336	-	32,566	39,197	133,099
Fringe benefits	262,339	-	-	13,682	276,021
Contractual services	3,268,907	-	6,679	1,587	3,277,173
Materials and supplies	135,207	-	78,285	3,719	217,211
Depreciation	27,410	-	288	-	27,698
Total operating expenses	3,755,199	-	117,818	58,185	3,931,202
Operating income (loss)	(2,727,558)	3,175	(18,656)	(35,787)	(2,778,826)
Non-operating revenues	2,490,787	-	5,740	-	2,496,527
Income (loss) before operating transfers	(236,771)	3,175	(12,916)	(35,787)	(282,299)
Operating transfers-in	140,805	-	-	-	140,805
Net income (loss)	\$ (95,966)	\$ 3,175	\$ (12,916)	\$ (35,787)	\$ (141,494)
Other information					
Net working capital	\$ (233,755)	\$ 38,314	\$ 62,698	\$ 11,295	\$ (121,448)
Fixed asset additions	\$ 82,641	\$ -	\$ 11,655	\$ -	\$ 94,296
Fixed asset disposals	\$ (15,890)	\$ -	\$ -	\$ -	\$ (15,890)
Total assets	\$ 953,186	\$ 38,314	\$ 85,304	\$ 11,413	\$ 1,088,217
Total equity	\$ 62,344	\$ 38,314	\$ 80,166	\$ 10,679	\$ 191,503

LORAIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 22 INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2000 consisted of:

	Receivables	Payables
General Fund	\$ 1,884,475	\$ -
Special Revenue Funds		
Miscellaneous State Grants Fund	-	23,200
Athletic Fund	-	24,000
Career Development Fund	-	6,493
Management Information Fund	-	5,982
Parent Mentoring Fund	-	64,099
Adult Basis Education Fund	-	47,719
JPTA Fund	-	384
Eisenhower Development Grant Fund	-	7,359
Title IVB Fund	6,000	-
Vocational Education Grant Fund	-	68,241
Telecommunications Fund	-	162,974
Miscellaneous Federal Grants Fund	-	193,780
Capital Projects Funds		
Building Fund	-	916,000
Enterprise Funds		
Food Service Fund	-	234,195
Internal Service Funds		
Rotary Funds	-	136,049
	\$ 1,890,475	\$ 1,890,475

LORAIN CITY SCHOOL DISTRICT
SUPPLEMENTAL AUDITOR'S REPORTS
JUNE 30, 2000

LORAIN CITY SCHOOL DISTRICT

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

YEAR ENDED JUNE 30, 2000



COSTIN + COMPANY

Certified Public Accountants
35945 Center Ridge Road
North Ridgeville, OH 44039

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

Board of Education
Lorain City School District

We have audited the financial statements of the Lorain City School District as of and for the year ended June 30, 2000, and have issued our report thereon dated December 18, 2000. We did not audit the financial statements of the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the Trust), which represents 54% and 97%, respectively, of the assets and revenues of the Internal Service Fund Type. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Trust is based on the report of the other auditors. In 2000 the District changed its method of accounting for the Trust. In prior years the Trust was not included in the Lorain City School District's financial statements. We conducted our audit in accordance with generally accepted auditing standards and 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 Lorain City School 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 instances of noncompliance that are required to be reported under "Government Auditing Standards".

Ohio Revised Code Section 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure. Contrary to the aforementioned Revised Code Section, we noted three instances where the District's appropriations exceeded the total estimated resources in the following Special Revenue Funds: Title I Fund, the Drug Free School Grant Fund, and the Goals 2000 Fund by \$ 222,909, \$ 11,118, and \$ 72,635 respectively.

Ohio Revised Code Section 5705.41(B) states in part that the District may not make any expenditure of money unless it has been appropriated. Contrary to the Revised Code Section, we noted that actual expenditures exceeded appropriations in the Special Revenue Fund Miscellaneous State Grants by \$ 80,593 and the Capital Projects Fund Technology Equity by \$ 9,626.

We also noted certain immaterial instances of noncompliance, which we have reported to management of Lorain City School District in a separate letter dated December 18, 2000.

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With "Government Auditing Standards" (continued)

Board of Education
Lorain City School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lorain City School 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, which we have reported to management of the District in a separate letter dated December 18, 2000.

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

December 18, 2000
North Ridgeville, Ohio

The image shows a handwritten signature in black ink that reads "Lottin + Company". The signature is written in a cursive, flowing style with a horizontal line underneath the text.

LORAIN CITY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2000



COSTIN + COMPANY

Certified Public Accountants
35945 Center Ridge Road
North Ridgeville, OH 44039

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

Board of Education
Lorain City School District

Compliance

We have audited the compliance of the Lorain City School 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, 2000. The Lorain City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Lorain City School District's management. Our responsibility is to express an opinion on the Lorain City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lorain City School District's compliance with those requirements and performing such other procedures 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 Lorain City School District's compliance with those requirements.

In our opinion, the Lorain City School 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, 2000.

Internal Control Over Compliance

The management of the Lorain City School 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 Lorain City School 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.

Board of Education
Lorain City School District

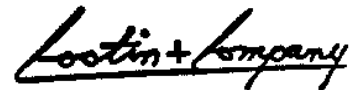
Report on Compliance With Requirements Applicable to Each Major
Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133 (continued)

Internal Control Over Compliance (continued)

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

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

December 18, 2000
North Ridgeville, Ohio

A handwritten signature in black ink that reads "Lootin + Company". The signature is written in a cursive, flowing style with a horizontal line underneath the text.

LORAIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
YEAR ENDED JUNE 30, 2000

LORAIN CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505

JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs	<u># 84.010 – Title 1</u>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Ohio Revised Code Section 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure. Contrary to the aforementioned Revised Code Section, we noted three instances where the District's appropriations exceeded the total estimated resources in the following Special Revenue funds: Title I Fund, Drug Free School Grant Fund, and Goals 2000 Fund by \$ 222,909, \$ 11,118, and \$ 72,635 respectively.

Ohio Revised Code Section 5705.41(B) states in part that the District may not make any expenditure of money unless it has been appropriated. Contrary to the Revised Code Section, we noted where actual expenditures exceeded appropriations in the Special Revenue Miscellaneous State Grants Fund by \$ 80,593 and the Capital Projects Technology Equity Fund by \$ 9,626.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS None

LORAIN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

LORAIN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
JUNE 30, 2000

	CFDA Number	Pass Through Number	Revenue Recognized	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
Nutrition Cluster:				
Food Distribution Program	10.550	N/A	\$ 109,690	\$ 131,517
School Breakfast Program	10.553	05-PU-99	128,041	128,041
School Breakfast Program	10.553	05-PU-00	380,196	380,196
Total School Breakfast Program			<u>508,237</u>	<u>508,237</u>
National School Lunch Program	10.555	03-PU-99	56,637	56,637
National School Lunch Program	10.555	03-PU-00	186,807	186,807
National School Lunch Program	10.555	04-PU-99	414,060	414,060
National School Lunch Program	10.555	04-PU-00	1,320,717	1,320,717
Total National School Lunch Program			<u>1,978,221</u>	<u>1,978,221</u>
Special Milk Program for Children	10.556	02-PU-99	408	408
Special Milk Program for Children	10.556	02-PU-00	2,126	2,126
Total Special Milk Program for Children			<u>2,534</u>	<u>2,534</u>
Summer Food Service Program	10.559	23-ML-99	22,194	22,194
Summer Food Service Program	10.559	23-ML-00	38,833	38,833
Summer Food Service Program	10.559	24-AD-99	2,670	2,670
Summer Food Service Program	10.559	24-AD-00	2,354	2,354
Total Summer Food Service Program			<u>66,051</u>	<u>66,051</u>
Total Department of Agriculture - Nutrition Cluster			<u>2,664,733</u>	<u>2,686,560</u>
 <u>U.S. Department of Education</u>				
Impact Aid	84.041	N/A	10,224	10,224
Passed through State Department of Education:				
Adult and Community Education	84.002	AB-S1-99	12,472	41,108
Title I	84.010	C1-S1-99	350,000	99,977
Title I	84.010	C1-S1-99C	150,617	557,599
Title I		C1-S1-00	3,492,256	3,184,274
Total Title I			<u>3,992,873</u>	<u>3,841,850</u>

(continued)

LORAIN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
JUNE 30, 2000

	CFDA Number	Pass Through Number	Revenue Recognized	Federal Expenditures
<u>U.S. Department of Education - continued</u>				
Passed through State Department of Education - continued				
Special Education Cluster:				
Title VI-B	84.027	6B-SF-98P	\$ 58,298	\$ 96,104
Title VI-B	84.027	6B-SF-99P	702,741	603,911
Total Title VI-B			<u>761,039</u>	<u>700,015</u>
Preschool Grants	84.173	PG-S1-98P	4,563	7,910
Preschool Grants	84.173	PG-S1-99P	48,810	38,883
Total Preschool Grants			<u>53,373</u>	<u>46,793</u>
Total Special Education Cluster			<u>814,412</u>	<u>746,808</u>
Vocational Education Basic Grant	84.048	20-C1-99	43,293	49,841
Vocational Education Basic Grant	84.048	20-C1-00	273,219	283,716
Total Vocational Education Basic Grant			<u>316,512</u>	<u>333,557</u>
Drug-Free Schools	84.186	DR-S1-99C	13,709	13,709
Drug-Free Schools	84.186	DR-S1-00	100,054	106,979
Total Drug-Free Schools			<u>113,763</u>	<u>120,688</u>
Goals 2000	84.276	G2-S1-00	60,375	60,375
Goals 2000	84.276	G2-S8-00	3,000	2,515
Goals 2000	84.276	G2-S6-99C	0	85,169
Total Goals 2000			<u>63,375</u>	<u>148,059</u>
Eisenhower Professional State Grants	84.281	MS-S1-99	7,947	31,377
Eisenhower Professional State Grants	84.281	MS-S1-00	66,230	50,791
Eisenhower Professional State Grants	84.281	MS-S1-98C	0	1,507
Total Eisenhower Professional State Grants			<u>74,177</u>	<u>83,675</u>
Learning Center	84.287	N/A	103,567	117,980
Learning Center	84.287	N/A	385,904	384,372
Total Learning Center			<u>489,471</u>	<u>502,352</u>
Innovative Education Program Strategies	84.298	C2-S1-99C	20,004	3,387
Innovative Education Program Strategies	84.298	C2-S1-00	76,907	45,024
Innovative Education Program Strategies	84.298	C2-S1-98C	0	6,269
Total Innovative Education Program Strategies			<u>96,911</u>	<u>54,680</u>
Technology Literacy Challenge Fund Grant	84.318	TF-14-99P	37,500	51,693
Technology Literacy Challenge Fund Grant	84.318	TF-15-99P	25,000	34,462
Technology Literacy Challenge Fund Grant	84.318	TF-32-99P	100,000	137,849
Technology Literacy Challenge Fund Grant	84.318	TF-33-99P	62,500	86,156
Technology Literacy Challenge Fund Grant	84.318	TF-34-99P	62,500	42,823
Total Technology Literacy Challenge Fund Grant			<u>287,500</u>	<u>352,983</u>

(continued)

LORAIN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
JUNE 30, 2000

	<u>CFDA Number</u>	<u>Pass Through Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - continued</u>				
Passed through State Department of Education - continued				
Class Size Reduction Grant	84.340	CR-S1-00	\$ 466,014	\$ 466,014
Gear-up Grant	84.334	N/A	46,525	46,728
Subtotal - Passed through State Department of Education			<u>7,054,030</u>	<u>6,738,502</u>
Total U.S. Department of Education			<u>7,064,254</u>	<u>6,748,726</u>
<u>Other Federal Assistance</u>				
<u>U.S. Department of Health and Human Services</u>				
Urban School Initiative	93.037	N/A	349,346	370,619
<u>U.S. Department of Defense</u>				
Reserve Officers Training Corp (ROTC)	12.XXX	N/A	124,863	124,863
<u>Corporation for National and Community Service</u>				
Passed through State Department of Education				
Learn and Serve America	94.004	SV-S1-00	15,000	12,240
<u>U.S. Department of Labor</u>				
Passed through State Department of Education				
School-to-Work	17.249	WK-BE-99	0	2,000
Subtotal - Passed through State Department of Education			<u>0</u>	<u>2,000</u>
JTPA Neighborhood Paint Grant	17.998	N/A	46,682	46,656
Total U.S. Department of Labor			<u>46,682</u>	<u>48,656</u>
Total Federal Financial Assistance (memorandum only)			<u>\$ 10,264,878</u>	<u>\$ 9,991,664</u>

The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the District's federal award programs and does not present transactions that would be included in financial statements of the District presented on the accrual basis of accounting, as contemplated by generally accepted accounting standards.

Non-monetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

LORAIN CITY 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
JANUARY 30, 2001**