

**WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT
LAKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

Willoughby-Eastlake City School District

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Willoughby-Eastlake City School District
Lake County
37047 Ridge Road
Willoughby, Ohio 44094

We have audited the accompanying general-purpose financial statements of the Willoughby-Eastlake City School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Willoughby-Eastlake City School District, Lake County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying financial statements, during fiscal year 1999, the District changed its evaluation for its fixed assets. Also described in Note 3 to the accompanying financial statements, the District reclassified two funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink that reads "Jim Petro".

Jim Petro
Auditor of State

February 18, 2000

Willoughby-Eastlake City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,049,812	\$1,017,151	\$130,254	\$1,730,508
Cash and Cash Equivalents With Fiscal Agent	504,920	0	0	0
Receivables:				
Taxes	41,792,817	0	345,807	1,281,894
Accounts	26,792	0	0	0
Intergovernmental	8,787	5,867	0	0
Interfund Receivable	244,265	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	812,677	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$49,440,070	\$1,023,018	\$476,061	\$3,012,402

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$216,864	\$127,437	\$0	\$0	\$9,272,026
0	0	0	0	504,920
0	0	0	0	43,420,518
985	0	0	0	27,777
62,814	0	0	0	77,468
0	0	0	0	244,265
23,065	0	0	0	23,065
1,002	0	0	0	1,002
0	0	0	0	812,677
35,789	0	26,259,497	0	26,295,286
0	0	0	155,484	155,484
0	0	0	11,315,976	11,315,976
<u>\$340,519</u>	<u>\$127,437</u>	<u>\$26,259,497</u>	<u>\$11,471,460</u>	<u>\$92,150,464</u>

(continued)

Willoughby-Eastlake City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$171,606	\$44,137	\$0	\$236,806
Accrued Wages and Benefits	3,787,159	171,528	0	0
Compensated Absences Payable	31,777	0	0	0
Interfund Payable	0	150,576	0	0
Intergovernmental Payable	1,314,700	16,352	0	0
Deferred Revenue	39,370,728	0	320,577	1,206,204
Due to Students	0	0	0	0
Claims Payable	789,790	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	45,465,760	382,593	320,577	1,443,010
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings				
Unreserved	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	544,959	55,736	0	300,949
Reserved for Property Taxes	2,422,089	0	25,230	75,690
Reserved for Budget Stabilization	797,943	0	0	0
Reserved for Textbooks	14,734	0	0	0
Unreserved:				
Designated for Claims	504,920	0	0	0
Unreserved, Undesignated	(310,335)	584,689	130,254	1,192,753
Total Fund Equity and Other Credits	3,974,310	640,425	155,484	1,569,392
Total Liabilities, Fund Equity and Other Credits	\$49,440,070	\$1,023,018	\$476,061	\$3,012,402

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$769	\$0	\$0	\$0	\$453,318
47,365	0	0	0	4,006,052
4,162	0	0	7,712,317	7,748,256
93,689	0	0	0	244,265
65,426	0	0	611,358	2,007,836
21,581	0	0	0	40,919,090
0	127,437	0	0	127,437
0	0	0	0	789,790
0	0	0	37,785	37,785
0	0	0	3,110,000	3,110,000
<u>232,992</u>	<u>127,437</u>	<u>0</u>	<u>11,471,460</u>	<u>59,443,829</u>
0	0	26,259,497	0	26,259,497
9,591	0	0	0	9,591
97,936	0	0	0	97,936
0	0	0	0	901,644
0	0	0	0	2,523,009
0	0	0	0	797,943
0	0	0	0	14,734
0	0	0	0	504,920
0	0	0	0	1,597,361
<u>107,527</u>	<u>0</u>	<u>26,259,497</u>	<u>0</u>	<u>32,706,635</u>
<u>\$340,519</u>	<u>\$127,437</u>	<u>\$26,259,497</u>	<u>\$11,471,460</u>	<u>\$92,150,464</u>

Willoughby-Eastlake City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999*

	Governmental	
	General	Special Revenue
Revenues		
Taxes	\$42,187,216	\$67,476
Intergovernmental	12,466,867	2,200,239
Interest	509,330	80,355
Tuition and Fees	1,593,232	90,245
Extracurricular Activities	11,103	484,155
Donations	86	188,260
Charges for Services	185,985	0
Rentals	249,000	0
Miscellaneous	173,750	53,253
<i>Total Revenues</i>	<u>57,376,569</u>	<u>3,163,983</u>
Expenditures		
Current:		
Instruction:		
Regular	25,723,573	192,781
Special	5,700,000	473,750
Vocational	2,043,381	74,391
Adult/Continuing	0	148,350
Support Services:		
Pupils	2,909,394	772,823
Instructional Staff	1,405,870	205,894
Board of Education	273,908	0
Administration	3,674,935	182,099
Fiscal	1,116,090	0
Business	429,132	0
Operation and Maintenance of Plant	5,203,914	57,433
Pupil Transportation	3,400,200	19,076
Central	483,236	16,280
Operation of Non-Instructional Services	32,558	787,074
Extracurricular Activities	92,441	1,178,732
Capital Outlay	26,505	0
Debt Service:		
Principal Retirement	34,879	0
Interest and Fiscal Charges	6,052	0
<i>Total Expenditures</i>	<u>52,556,068</u>	<u>4,108,683</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,820,501</u>	<u>(944,700)</u>
Other Financing Sources (Uses)		
Proceeds from Sale of Fixed Assets	8,680	0
Operating Transfers In	27,815	803,375
Operating Transfers Out	(731,487)	(38,786)
<i>Total Other Financing Sources (Uses)</i>	<u>(694,992)</u>	<u>764,589</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	4,125,509	(180,111)
<i>Fund Balances (Deficit) Beginning of Year (Restated - See Note 3)</i>	<u>(151,199)</u>	<u>820,536</u>
<i>Fund Balances End of Year</i>	<u>\$3,974,310</u>	<u>\$640,425</u>

See accompanying notes to the general purpose financial statements

<u>Fund Types</u>		
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
\$348,131	\$1,289,585	\$43,892,408
34,324	549,038	15,250,468
0	0	589,685
0	0	1,683,477
0	0	495,258
0	0	188,346
0	0	185,985
0	0	249,000
0	0	227,003
<u>382,455</u>	<u>1,838,623</u>	<u>62,761,630</u>
0	0	25,916,354
0	0	6,173,750
0	0	2,117,772
0	0	148,350
0	0	3,682,217
0	0	1,611,764
0	0	273,908
0	0	3,857,034
0	0	1,116,090
0	0	429,132
0	0	5,261,347
0	0	3,419,276
0	0	499,516
0	0	819,632
0	0	1,271,173
0	2,011,281	2,037,786
150,000	0	184,879
206,295	0	212,347
<u>356,295</u>	<u>2,011,281</u>	<u>59,032,327</u>
<u>26,160</u>	<u>(172,658)</u>	<u>3,729,303</u>
0	378,630	387,310
0	0	831,190
0	0	(770,273)
<u>0</u>	<u>378,630</u>	<u>448,227</u>
26,160	205,972	4,177,530
129,324	1,363,420	2,162,081
<u>\$155,484</u>	<u>\$1,569,392</u>	<u>\$6,339,611</u>

Willoughby-Eastlake City School District
*Combined Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$42,335,053	\$42,548,257	\$213,204
Intergovernmental	12,235,377	12,474,809	239,432
Interest	450,000	509,330	59,330
Tuition and Fees	1,448,500	2,324,255	875,755
Extracurricular Activities	0	0	0
Donations	2,000	86	(1,914)
Charges for Services	120,300	185,985	65,685
Rentals	210,000	247,346	37,346
Miscellaneous	156,000	172,171	16,171
Total Revenues	56,957,230	58,462,239	1,505,009
Expenditures			
Current:			
Instruction:			
Regular	26,798,957	26,759,491	39,466
Special	6,318,997	6,214,119	104,878
Vocational	2,165,703	2,132,048	33,655
Adult/Continuing	0	0	0
Support Services:			
Pupils	3,143,032	3,051,720	91,312
Instructional Staff	1,513,988	1,465,723	48,265
Board of Education	334,101	291,094	43,007
Administration	3,735,746	3,722,697	13,049
Fiscal	1,141,778	1,134,757	7,021
Business	447,167	435,704	11,463
Operation and Maintenance of Plant	5,495,157	5,156,855	338,302
Pupil Transportaton	3,873,112	3,676,911	196,201
Central	482,941	481,687	1,254
Operation of Non-Instructional Services	33,400	32,384	1,016
Extracurricular Activities	124,821	123,551	1,270
Capital Outlay	29,000	26,505	2,495
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	55,637,900	54,705,246	932,654
Excess of Revenues Over (Under) Expenditures	1,319,330	3,756,993	2,437,663
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	10,000	8,680	(1,320)
Advances In	400,000	147,994	(252,006)
Advances Out	(400,000)	(319,570)	80,430
Operating Transfers In	80,000	27,815	(52,185)
Operating Transfers Out	(775,000)	(731,487)	43,513
Total Other Financing Sources (Uses)	(685,000)	(866,568)	(181,568)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	634,330	2,890,425	2,256,095
Fund Balances Beginning of Year	2,872,155	2,872,155	0
Prior Year Encumbrances Appropriated	378,151	378,151	0
Fund Balances End of Year	\$3,884,636	\$6,140,731	\$2,256,095

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$67,476	\$67,476	\$0	\$349,750	\$349,892	\$142
2,333,726	2,298,493	(35,233)	34,000	34,324	324
13,522	80,355	66,833	0	0	0
60,498	90,245	29,747	0	0	0
492,350	486,716	(5,634)	0	0	0
168,001	188,260	20,259	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
71,229	53,253	(17,976)	0	0	0
<u>3,206,802</u>	<u>3,264,798</u>	<u>57,996</u>	<u>383,750</u>	<u>384,216</u>	<u>466</u>
216,287	200,045	16,242	0	0	0
632,418	474,133	158,285	0	0	0
93,495	75,962	17,533	0	0	0
157,769	148,330	9,439	0	0	0
927,660	856,943	70,717	0	0	0
227,889	219,331	8,558	0	0	0
0	0	0	0	0	0
195,438	181,676	13,762	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
63,083	62,367	716	0	0	0
23,835	19,076	4,759	0	0	0
39,899	16,280	23,619	0	0	0
923,099	795,345	127,754	0	0	0
1,195,347	1,194,882	465	0	0	0
0	0	0	0	0	0
0	0	0	150,000	150,000	0
0	0	0	207,000	206,295	705
<u>4,696,219</u>	<u>4,244,370</u>	<u>451,849</u>	<u>357,000</u>	<u>356,295</u>	<u>705</u>
<u>(1,489,417)</u>	<u>(979,572)</u>	<u>509,845</u>	<u>26,750</u>	<u>27,921</u>	<u>1,171</u>
0	0	0	0	0	0
186,978	191,070	4,092	0	0	0
(64,994)	(64,994)	0	0	0	0
806,409	803,375	(3,034)	0	0	0
(38,793)	(38,786)	7	0	0	0
<u>889,600</u>	<u>890,665</u>	<u>1,065</u>	<u>0</u>	<u>0</u>	<u>0</u>
(599,817)	(88,907)	510,910	26,750	27,921	1,171
908,513	908,513	0	102,333	102,333	0
100,555	100,555	0	0	0	0
<u>\$409,251</u>	<u>\$920,161</u>	<u>\$510,910</u>	<u>\$129,083</u>	<u>\$130,254</u>	<u>\$1,171</u>

(continued)

Willoughby-Eastlake City School District
*Combined Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 1999*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$1,302,500	\$1,302,194	(\$306)
Intergovernmental	495,110	549,038	53,928
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Donations	0	0	0
Charges for Services	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
Total Revenues	1,797,610	1,851,232	53,622
Expenditures			
Current:			
Instruction:			
Regular	824,763	512,388	312,375
Special	400	343	57
Vocational	55,517	53,210	2,307
Adult/Continuing	0	0	0
Support Services:			
Pupils	34,746	34,450	296
Instructional Staff	2,950	2,864	86
Board of Education	1,300	1,224	76
Administration	142,575	142,097	478
Fiscal	26,003	25,777	226
Business	950	923	27
Operation and Maintenance of Plant	1,410,563	1,332,053	78,510
Pupil Transportaton	283,952	282,247	1,705
Central	105,536	21,806	83,730
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	2,889,255	2,409,382	479,873
Excess of Revenues Over (Under) Expenditures	(1,091,645)	(558,150)	533,495
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	338,000	378,630	40,630
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	338,000	378,630	40,630
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(753,645)	(179,520)	574,125
Fund Balances Beginning of Year	955,774	955,774	0
Prior Year Encumbrances Appropriated	417,989	417,989	0
Fund Balances End of Year	\$620,118	\$1,194,243	\$574,125

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$44,054,779	\$44,267,819	\$213,040
15,098,213	15,356,664	258,451
463,522	589,685	126,163
1,508,998	2,414,500	905,502
492,350	486,716	(5,634)
170,001	188,346	18,345
120,300	185,985	65,685
210,000	247,346	37,346
227,229	225,424	(1,805)
<u>62,345,392</u>	<u>63,962,485</u>	<u>1,617,093</u>
27,840,007	27,471,924	368,083
6,951,815	6,688,595	263,220
2,314,715	2,261,220	53,495
157,769	148,330	9,439
4,105,438	3,943,113	162,325
1,744,827	1,687,918	56,909
335,401	292,318	43,083
4,073,759	4,046,470	27,289
1,167,781	1,160,534	7,247
448,117	436,627	11,490
6,968,803	6,551,275	417,528
4,180,899	3,978,234	202,665
628,376	519,773	108,603
956,499	827,729	128,770
1,320,168	1,318,433	1,735
29,000	26,505	2,495
150,000	150,000	0
207,000	206,295	705
<u>63,580,374</u>	<u>61,715,293</u>	<u>1,865,081</u>
<u>(1,234,982)</u>	<u>2,247,192</u>	<u>3,482,174</u>
348,000	387,310	39,310
586,978	339,064	(247,914)
(464,994)	(384,564)	80,430
886,409	831,190	(55,219)
(813,793)	(770,273)	43,520
<u>542,600</u>	<u>402,727</u>	<u>(139,873)</u>
(692,382)	2,649,919	3,342,301
4,838,775	4,838,775	0
896,695	896,695	0
<u>\$5,043,088</u>	<u>\$8,385,389</u>	<u>\$3,342,301</u>

Willoughby-Eastlake City School District
*Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999*

	Enterprise
Operating Revenues	
Tuition and Fees	\$468,069
Sales	1,723,545
Charges for Services	24,567
Other	828
	2,217,009
 Operating Expenses	
Salaries	1,082,501
Fringe Benefits	556,260
Purchased Services	45,851
Materials and Supplies	684,839
Cost of Sales	574,995
Depreciation	12,000
Other Operating Expenses	2,355
	2,958,801
 <i>Total Operating Revenues</i>	 2,217,009
 <i>Total Operating Expenses</i>	 2,958,801
 <i>Operating Loss</i>	 (741,792)
 Non-Operating Revenues	
Federal Donated Commodities	114,326
Operating Grants	464,671
Interest	14,336
Other Non-Operating Revenues	1,617
	594,950
 <i>Total Non-Operating Revenues</i>	 594,950
 <i>Loss Before Operating Transfers</i>	 (146,842)
 Operating Transfers In	60,149
Operating Transfers Out	(121,066)
	(207,759)
 <i>Net Loss</i>	 (207,759)
 <i>Retained Earnings Beginning of Year (Restated - See Note 3)</i>	 305,695
 <i>Retained Earnings End of Year</i>	97,936
 <i>Contributed Capital Beginning and End of Year</i>	9,591
 <i>Total Fund Equity End of Year</i>	\$107,527

See accompanying notes to the general purpose financial statements

Willoughby-Eastlake City School District
*Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999*

	Enterprise Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Tuition and Fees	\$494,998	\$525,752	\$30,754
Sales	1,722,691	1,729,226	6,535
Charges for Services	22,200	24,567	2,367
Interest	0	14,336	14,336
Other	802	828	26
Operating Grants	414,600	462,640	48,040
Other Non-Operating	1,500	1,617	117
<i>Total Revenues</i>	<u>2,656,791</u>	<u>2,758,966</u>	<u>102,175</u>
Expenses			
Salaries	1,065,136	1,062,597	2,539
Fringe Benefits	493,517	492,842	675
Purchased Services	48,868	45,851	3,017
Materials and Supplies	1,167,469	1,152,375	15,094
Other	2,370	2,355	15
<i>Total Expenses</i>	<u>2,777,360</u>	<u>2,756,020</u>	<u>21,340</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(120,569)	2,946	123,515
Advances In	148,500	128,500	(20,000)
Advances Out	(79,233)	(83,000)	(3,767)
Operating Transfers In	2,800	60,149	57,349
Operating Transfers Out	(121,066)	(121,066)	0
<i>Excess of Revenues Under Expenses, Advances and Operating Transfers</i>	(169,568)	(12,471)	157,097
<i>Fund Equity Beginning of Year</i>	218,542	218,542	0
Prior Year Encumbrances Appropriated	3,408	3,408	0
<i>Fund Equity End of Year</i>	<u>\$52,382</u>	<u>\$209,479</u>	<u>\$157,097</u>

See accompanying notes to the general purpose financial statements

Willoughby-Eastlake City School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise
<i>Increase (Decreases) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$1,813,736
Cash Received from Tuition Payments	465,809
Cash Received from Other Operating Sources	828
Cash Received from Other Non-Operating Sources	1,617
Cash Payments to Suppliers for Goods and Services	(1,190,841)
Cash Payments to Employees for Services	(1,062,597)
Cash Payments for Employee Benefits	(492,842)
Cash Payments for Other Operating Uses	(2,355)
	(466,645)
<i>Net Cash Used for by Operating Activities</i>	
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	462,640
Operating Transfers In	60,149
Operating Transfers Out	(121,066)
Advances In	128,500
Advances Out	(83,000)
	447,223
<i>Net Cash Provided by Noncapital Financing Activities</i>	
Cash Flows from Investing Activities	
Interest on Investments	14,336
	(5,086)
<i>Net Decrease in Cash and Cash Equivalents</i>	
<i>Cash and Cash Equivalents Beginning of Year</i>	221,950
<i>Cash and Cash Equivalents End of Year</i>	\$216,864

(continued)

Willoughby-Eastlake City School District
Combined Statement of Cash Flows
Proprietary Fund Type (continued)
For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
<i>Operating Loss</i>	<u>(\$741,792)</u>
<i>Adjustments:</i>	
Donated Commodities Used During Year	114,326
Depreciation	12,000
Other Non-Operating Revenues	1,617
(Increases)Decreases in Assets:	
Accounts Receivable	63,413
Intergovernmental Receivable	(49)
Inventory Held for Resale	522
Materials and Supplies Inventory	(404)
Increase (Decreases) in Liabilities:	
Accounts Payable	361
Accrued Wages and Benefits	(22,544)
Compensated Absences Payable	3,622
Intergovernmental Payable	<u>102,283</u>
<i>Total Adjustments</i>	<u>275,147</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$466,645)</u></u>

See accompanying notes to the general purpose financial statements

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of The School District

Willoughby-Eastlake City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five member Board and provides educational services as mandated by State or federal agencies. The Board controls the School District's three instructional facilities, staffed by 550 classified personnel, 550 certified full-time teaching personnel and six administrative employees to provide services to students and other community members.

The School District is located in the cities of Willoughby, Willoughby Hills, Willowick and Eastlake, Ohio, Lake County. The enrollment for the School District during the 1999 fiscal year was 9,071. The School District operates seven elementary schools (K-5), three middle schools (6-8) and three high schools (9-12).

Reporting Entity

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

Non-Public Schools Within the School District boundaries, St. Justin Martyr, St. Mary Magdalene, and Immaculate Conception School are operated through the Catholic diocese. Andrews School and Willoughby Montessori are also within the School District boundaries. Current State legislation provides funding to these schools. These monies are received and disbursed by the School District on behalf of the schools by the Treasurer of the School District, as directed by the schools. The activity for these monies by the School District are reflected in a special revenue fund for financial reporting purposes.

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

The School District is associated with two jointly governed organizations and a public entity risk pool. These organizations are the East Shore Regional Transportation System, the Ohio Schools' Council Association, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

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

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

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include trust and agency funds. The School District has no trust funds. The agency funds are purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations.

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

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

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds

B. Measurement Focus and Basis of Accounting

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets,

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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 legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the agency fund, consistent with statutory provisions.

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. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the general purpose financial statements for proprietary funds.

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

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to repurchase agreements and STAROhio, the State Treasurer's Investment Pool. These investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost. 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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$509,330, which includes \$99,074 assigned from other School District funds.

Medical/surgical and dental insurance is offered to employees through Medical Mutual. The School District pays this provider a monthly administrative fee plus a reimbursement for claims that have been submitted by plan participants and approved by the provider. The School District is required to maintain a deposit with this provider which is estimated at two months of actual claims incurred. This deposit, which amounted to \$504,920 is presented on the combined balance sheet as "cash and cash equivalents with fiscal and escrow agent."

For presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amounts required by statute to be set-aside by the School District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Job Training Partnership Act
Retired Senior Volunteer Program
Pell Grant
Adult Basic Education
Public School Preschool
Title I
Title VI-B
Drug Free Schools
Professional Development
Career Development
Vocational Education

Capital Projects Fund

SchoolNet
SchooNet Plus

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately twenty-three percent of the School District's governmental fund types' revenue during the 1999 fiscal year.

H. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivable/payables."

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life that ranges from eight to twenty years. Improvements are depreciated over the remaining useful lives of the related fixed assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the School District' termination policy. The School District records a liability for accumulated unused sick leave for classified, certified and administrative employees after ten years of service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contribution and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than 60

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

days after year-end are generally considered not to have been paid with current available financial resources. Capital leases and bonds are reported as a liability of the general long-term obligations account group until due.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization and textbooks.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The School District has begun accumulating resources to satisfy potential future claims. This amount has been designated for insurance.

N. Estimates

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

O. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 3 - Restatement of Fund Equity and General Fixed Assets

The School District had adjustments that resulted in the restatement of fund equity. The effect of these changes on fund balance/retained earnings as it was previously reported as of June 30, 1998, are as follows:

Governmental Funds

	General	Special Revenue	Expendable Trust
Balances as Previously Reported	(\$98,472)	\$681,307	\$139,229
Overstatement of Inventory	(89,941)	0	0
Reclassification of Funds	37,214	139,229	(139,229)
Restated Balance July 1, 1998	<u>(\$151,199)</u>	<u>\$820,536</u>	<u>\$0</u>

Proprietary Funds

	Enterprise	Internal Service
Balances as Previously Reported	\$326,955	\$38,446
Overstatement of Inventory	(21,260)	0
Overstatement of Fixed Assets	0	(1,232)
Reclassification of Funds	0	(37,214)
Restated Balance July 1, 1998	<u>\$305,695</u>	<u>\$0</u>

Due to the re-evaluation of the School District's fixed assets, it was determined that General Fixed Assets was overstated by \$18,535,991 at June 30, 1998, changing the balance of \$44,055,777 to \$25,519,786.

Note 4 - Budgetary Basis of Accounting

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

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP)
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$4,125,509	(\$180,111)	\$26,160	\$205,972
Net Adjustment for Revenue Accruals	1,085,670	100,815	1,761	12,609
Advances In	147,994	191,070	0	0
Net Adjustment for Expenditure Accruals	(1,427,420)	(38,697)	0	138,164
Advances Out	(319,570)	(64,994)	0	0
Encumbrances	(721,758)	(96,990)	0	(536,265)
Budget Basis	\$2,890,425	(\$88,907)	\$27,921	(\$179,520)

Net Loss/Excess of Revenues Under Expenses,
Advances and Operating Transfers
All Proprietary Fund Types

	Enterprise
GAAP Basis	(\$207,759)
Net Adjustment for Revenue Accruals	(52,993)
Advances In	128,500
Net Adjustment for Expense Accruals	198,166
Depreciation Expense	12,000
Advances Out	(83,000)
Encumbrances	(7,385)
Budget Basis	(\$12,471)

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 5 - Fund Deficits

Fund Balances/Retained Earnings at June 30, 1999, included the following individual fund deficits:

Special Revenue Funds	
Athletics and Music	\$74,985
Career Development	20,071
Professional Development	73
Job Training Partnership Act	12,278
Enterprise Fund	
Uniform School Supplies	\$31,559

The special revenue fund deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The uniform school supplies enterprise fund deficit retained earnings resulted from adjustments for accrued liabilities. Management is analyzing fund operations to determine appropriate action to alleviate the deficit.

Note 6 - Deposits and Investments

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

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

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain Bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Cash on Hand At fiscal year end, the School District had \$5,023 in undeposited cash on hand which is included in the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was (\$253,322) and the bank balance was \$685,630. \$200,000 of the bank balance was covered by federal depository insurance. \$485,630 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$200,000	\$200,000	\$200,000
STAROhio			10,133,002
Total			\$10,333,002

The classification of cash and cash equivalents, and investments on the combined general purpose financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined general purpose financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$10,589,623	\$0
Money Held by Fiscal Agent	(504,920)	0
Investment:		
Cash on Hand	(5,023)	0
Repurchase Agreement	(200,000)	200,000
STAROhio	(10,133,002)	10,133,002
Total	(\$253,322)	\$10,333,002

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in the first half of the following year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

Real property taxes are levied after April 1, 1999, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property taxes currently are assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1999 on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second-Half Collections</u>		<u>1999 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$1,046,294,160	74.46%	\$1,063,788,970	74.26%
Public Utility Personal	220,985,390	15.73	217,394,080	15.18
Tangible Personal Property	137,893,748	9.81	151,359,246	10.56
	<u>\$1,405,173,298</u>	<u>100.00%</u>	<u>\$1,432,542,296</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.44		\$46.71	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes 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.

The School District receives property taxes from Lake County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Willoughby-Eastlake City School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. 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, 1999, was \$2,523,009. \$2,422,089 was available to the general fund, \$25,230 was available to the bond retirement debt service fund and \$75,690 was available to the permanent improvements capital projects fund. \$2,898,420 was available to the School District as an advance at June 30, 1998. \$2,783,129 was available to the general fund, \$26,991 in the debt service fund and \$88,300 in the capital projects fund.

Note 8 - Receivables

Receivables at June 30, 1999, consisted of taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The following is summary of the intergovernmental receivables.

General fund	
Field Trips	\$8,670
Rental	<u>117</u>
Total General Fund	<u>8,787</u>
Special Revenue Fund	
Title VI-B	<u>5,867</u>
Enterprise Funds	
Food Service	61,326
Uniforms School Supplies	<u>1,488</u>
Total Enterprise Fund	<u>62,814</u>
Total Intergovernmental Receivable	<u><u>\$77,468</u></u>

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

	<u>Totals</u>
Furniture and Equipment	\$628,130
Less Accumulated Depreciation	<u>(592,341)</u>
Net Fixed Assets	<u><u>\$35,789</u></u>

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999
Land and Improvements	\$560,374	\$0	\$0	\$560,374
Buildings	20,957,261	0	0	20,957,261
Furniture, Equipment and Vehicles	4,002,151	767,818	28,107	4,741,862
Total	\$25,519,786	\$767,818	\$28,107	\$26,259,497

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Ohio Schools Council for its property and fleet insurance, Crum & Forster for property and inland marine, Ohio Casualty and Crum & Forster for its crime insurance and Travelers Insurance for its boiler and machinery

Settled claims have not exceeded this commercial coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

B. Workers Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District operates and manages employee health benefits on a self-insured basis. The School District uses the general fund to account for and finance its uninsured risks of loss in this program. A third party,

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Medical Mutual, reviews all claims which are then paid by the School District. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$789,790 reported in the fund at June 30, 1999, is based on an estimate provided by the Treasurer and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 1998 and 1999 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	1,309,798	\$2,452,284	\$3,040,082	\$722,000
1999	722,000	2,897,567	2,829,777	789,790

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$646,763, \$1,127,068, and \$1,091,921 respectively; 49.16 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$328,836 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,854,078, \$3,133,951, and \$3,505,173 respectively; 81.72 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$338,894 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$2,472,104 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998.

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$2,531,987.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, an employee with less than 150 or more than 216 days is paid for 25 percent of accumulated sick days and an employee with more than 150 and less than 216 days is paid for 54 days.

B. Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Washington National Life Insurance Company.

Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Outstanding June 30, 1998	Additions	Deletions	Outstanding June 30, 1999
Library Improvement Bond	\$3,260,000	\$0	\$150,000	\$3,110,000
Compensated Absences	5,695,292	2,565,961	548,936	7,712,317
Capital Leases	72,664	0	34,879	37,785
Pension Obligation	703,553	611,358	703,553	611,358
<i>Total General Long-Term Obligations</i>	<u>\$9,731,509</u>	<u>\$3,177,319</u>	<u>\$1,437,368</u>	<u>\$11,471,460</u>

The library improvement bond will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. The capital leases will be paid from the general fund. The

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall debt margin was \$126,294,971 with an unvoted debt margin of \$1,432,542 at June 30, 1999. Principal and interest requirement to retire the loan outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	160,000	192,395	352,395
2001	170,000	182,780	352,780
2002	180,000	172,365	352,365
2003	190,000	161,170	351,170
2004	205,000	149,020	354,020
2005-2009	1,235,000	526,103	1,761,103
2010-2011	970,000	97,500	1,067,500
Total	<u>\$3,110,000</u>	<u>\$1,481,333</u>	<u>\$4,591,333</u>

Note 15 - Interfund Transactions

Interfund balances at June 30, 1999, consisted of:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	\$244,265	\$0
Special Revenue Funds		
Athletics and Music	0	108,800
Auxiliary Services	0	6,478
Economic Development	0	1,800
Career Development	0	12,590
Job Training Partnership Act	0	12,000
Vocational Education Grant	0	5,000
Title VI	0	3,908
<i>Total Special Revenue Funds</i>	<u>0</u>	<u>150,576</u>
Enterprise Funds		
Uniform School Supplies	0	87,200
Special Services	0	6,489
<i>Total Enterprise Funds</i>	<u>0</u>	<u>93,689</u>
Total	<u>\$244,265</u>	<u>\$244,265</u>

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 16 - Jointly Governed Organization

A. East Shore Regional Transportation System

The East Shore Regional Transportation System (ESRTS) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. ESRTS is not accumulating significant financial resources or experiencing fiscal distress which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

B. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1998, the School District paid \$500 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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

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

Note 17 - Public Entity Risk Pool

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

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 18 - Segment Information for Enterprise Funds

The School District maintains five enterprise funds to account for the operations of food service, uniform school supplies, special services, community education and latchkey/preschool. The table below reflects in a summarized format the more significant financial data relating to the Enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Special Services
Operating Revenues	\$1,422,524	\$301,021	\$24,362
Depreciation	12,000	0	0
Operating Income (Loss)	(761,233)	(57,197)	5,524
Operating Grants	457,791	0	0
Federal Donated Commodities	114,326	0	0
Operating Transfers In	0	57,436	0
Operating Transfers Out	0	0	0
Net Income (Loss)	(174,780)	239	7,141
Net Working Capital	11,390	(31,559)	12,705
Total Assets	143,182	56,217	19,233
Total Equity (Deficit)	47,179	(31,559)	12,705
Encumbrances at June 30, 1999	0	7,246	39

(continued)

	Community Education	Latchkey/ Preschool	Total
Operating Revenues	\$12,125	\$456,977	\$2,217,009
Depreciation	0	0	12,000
Operating Income (Loss)	(1,666)	72,780	(741,792)
Operating Grants	6,880	0	464,671
Federal Donated Commodities	0	0	114,326
Operating Transfers In	0	2,713	60,149
Operating Transfers Out	0	(121,066)	(121,066)
Net Income (Loss)	5,214	(45,573)	(207,759)
Net Working Capital	8,018	71,184	71,738
Total Assets	8,136	113,751	340,519
Total Equity (Deficit)	8,018	71,184	107,527
Encumbrances at June 30, 1999	0	100	7,385

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

Note 20 - Set-Aside Calculations and Fund Reserves

The school district is required by State statute to annually set aside in the general fund an amount base on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements	Budget Reserve	Total
Set-aside balance carried forward July 1, 1998	\$0	\$0	\$353,554	\$353,554
Current year set-aside requirement	888,777	888,777	444,389	2,221,943
Qualifying expenditures	(874,043)	(1,160,054)	0	(2,034,097)
Total	\$14,734	(\$271,277)	\$797,943	
Cash Balance Carried Forward to FY 2000	\$14,734	\$0	\$797,943	\$812,677

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set aside requirements of future years, and are therefore not presented.

Willoughby-Eastlake City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 21 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the 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 School District. During the fiscal year ended June 30, 1999, the School District received \$5,860,934 school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

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Willoughby-Eastlake City School District

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$114,463		\$114,326
National School Lunch Program	03-PU 98	10.555	27,731		27,731	
National School Lunch Program	03-PU 99	10.555	69,840		69,840	
National School Lunch Program	04-PU 98	10.555	91,429		91,429	
National School Lunch Program	04-PU 99	10.555	245,190		245,190	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>434,190</u>	<u>114,463</u>	<u>434,190</u>	<u>114,326</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Federal Pell Grant Program	1997/98	84.063	10,058		10,058	
Federal Pell Grant Program	1998/99	84.063	34,735		34,735	
Total Federal Pell Grant			<u>44,793</u>	<u>0</u>	<u>44,793</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States						
(IDEA Part B)	6B-SF 98 P	84.027	0		135,982	
(IDEA Part B)	6B-SF 99 P	84.027	492,476		404,991	
Subtotal Title VI-B			<u>492,476</u>	<u>0</u>	<u>540,973</u>	<u>0</u>
Special Education - Preschool Grant	PG-S1 98 P	84.173	0		16,568	
Special Education - Preschool Grant	PG-S1 99 P	84.173	38,025		27,782	
Subtotal Preschool			<u>38,025</u>	<u>0</u>	<u>44,350</u>	<u>0</u>
Total Special Education Cluster			<u>530,501</u>	<u>0</u>	<u>585,323</u>	<u>0</u>
Adult Basic Education- State Grant Program	AB-S1 98	84.002	0		6,805	
Adult Basic Education- State Grant Program	AB-S1 98C	84.002	0		2,876	
Adult Basic Education- State Grant Program	AB-S1 99	84.002	31,788		20,133	
Total Adult Basic Education			<u>31,788</u>	<u>0</u>	<u>29,814</u>	<u>0</u>
Grants to Local Educational Agencies						
(ESEA Title I)	C1-S1 98	84.010	0		86,780	
(ESEA Title I)	C1-S1 98C	84.010	0		39,775	
(ESEA Title I)	C1-S1 99	84.010	451,485		337,521	
Total Title I			<u>451,485</u>	<u>0</u>	<u>464,076</u>	<u>0</u>
Drug-Free Schools Grant	DR-S1 98	84.186	13,754		11,358	
Drug-Free Schools Grant	DR-S1 98C	84.186	0		4,332	
Drug-Free Schools Grant	DR-S1 99	84.186	47,632		16,412	
Total Drug Free			<u>61,386</u>	<u>0</u>	<u>32,102</u>	<u>0</u>
DD Eisenhower Professional Development Title	MS-S1 98	84.281	0		6,353	
DD Eisenhower Professional Development Title	MS-S1 99	84.281	30,279		16,457	
Total DD Eisenhower Professional Development Title			<u>30,279</u>	<u>0</u>	<u>22,810</u>	<u>0</u>
Innovative Educational Program Strategies						
Title VI (innovative Ed.)	C2-S1 98	84.298	2,753		11,529	
Title VI (innovative Ed.)	C2-S1 98C	84.298	1,156		1,155	
Title VI (innovative Ed.)	C2-S1 99	84.298	35,168		30,631	
Total Title VI			<u>39,077</u>	<u>0</u>	<u>43,315</u>	<u>0</u>

Willoughby-Eastlake City School District

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<i>Passed Through Mentor Exempted Village School District</i>						
Vocational Education Basic Grant	96/97	84.048	6,495		0	
Vocational Education Basic Grant	97/98	84.048	7,272		1,379	
Vocational Education Basic Grant	98/99	84.048	96,382		101,911	
Total Vocational Education			110,149	0	103,290	0
Total Department of Education			1,299,458	0	1,325,523	0
U.S. DEPARTMENT OF LABOR						
<i>Passed Through Lake County ETA:</i>						
Employment and Training Assistance						
Employment/Internship 97/98		17.246	14,062		5,140	
Employment/Internship 98/99		17.246	29,968		32,741	
Woodworking 99/00		17.246	0		259	
Woodworking 96/97		17.246	0		1,085	
Woodworking 97/98		17.246	0		(518)	
Woodworking 98/99		17.246	54,749		49,416	
Adult Nursing 97/98		17.246	0		0	
Adult Nursing 98/99		17.246	20,429		6,234	
Total Employment and Training Assistance			119,208	0	94,357	0
<i>Passed Through the Ohio Department of Education</i>						
School to Work Program	WK-BE 98	17.249	20,000		0	
Total U.S. Department of Labor			139,208	0	94,357	0
Corporation for National and Community Services						
Retired Senior Volunteer Program 97/98		94.002	0		7,398	
Retired Senior Volunteer Program 98/99		94.002	45,260		92,191	
Retired Senior Volunteer Program 99/00		94.002	11,655		0	
Total Corporation for National and Community Services			56,915	0	99,589	0
Total Federal Assistance			\$1,929,771	\$114,463	\$1,953,659	\$114,326

See the Notes to the Schedule of Federal Award Expenditures.

Willoughby-Eastlake City School District

**Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the Districts federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - NATIONAL SCHOOL LUNCH

Federal monies received by the District for these programs are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

CFDA - Catalog of Federal Domestic Assistance

N/A - Not applicable



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Willoughby-Eastlake City School District
Lake County
37047 Ridge Road
Willoughby, Ohio 44094

We have audited the financial statements of the Willoughby-Eastlake City School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 18, 2000, in which the District changed its evaluation for its fixed assets and reclassified two funds. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 18, 2000.

Internal Control Over Financial Reporting

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

Willoughby-Eastlake City School District
Lake County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page -2-

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a printed name and title. The signature is stylized and cursive.

Jim Petro
Auditor of State

February 18, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Board of Education
Willoughby-Eastlake City School District
Lake County
37047 Ridge Road
Willoughby, Ohio 44094

Compliance

We have audited the compliance of the Willoughby-Eastlake City School District, Lake County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Wiffoughby-Eastlake City School District
Lake County

Report on Compliance with Requirements Applicable to the Major Federal Program and
Internal Control over Compliance in Accordance with OMB Circular A-133

Page 2

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

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



Jim Petro
Auditor of State
February 18, 2000

SCHEDULE OF FINDINGS

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 §.505

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Sec. .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Special Education Cluster: Title VIB, CFDA #84.027 and Preschool, CFDA #84.173
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None.

Willoughby-Eastlake City School District

June 30, 1999

Schedule of Prior Audit Findings
OMB Circular A - 133 § .315 (b)

Finding Number	Finding Summary	Fully Corrected	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
1998-10843-001	Year 2000 Compliant	Yes	



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WILLOUGHBY-EASTLAKE CITY SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: MAR 09 2000