



**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements	4
Notes to the General Purpose Financial Statements	19
Schedule of Federal Awards Expenditures	55
Notes to the Schedule of Federal Awards Expenditures	56
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	57
Report on Compliance with Requirements Applicable to Its Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	59
Schedule of Findings	61

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Cleveland Heights-University Heights City School District
Cuyahoga County
2155 Miramar Boulevard
University Heights, Ohio 44118

We have audited the accompanying general-purpose financial statements of the Cleveland Heights-University Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 Cleveland Heights-University Heights City School District, Cuyahoga County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As described in Note 4 to the accompanying financial statements, during fiscal year 2000, the District reclassified the Community Service fund from a Special Revenue Fund to an Enterprise Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cleveland Heights-University Heights City School District
Cuyahoga County
Report of Independent Accountants
Page 2

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 Receipts and 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.

Jim Petro
Auditor of State

April 3, 2001

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**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 6,276,571	\$ 2,381,881	\$ 11,006	\$ 2,091,670
Investments	1,600,000	0	0	0
Receivables:				
Taxes	49,660,117	0	0	3,198,987
Accounts	144,132	15,374	0	0
Intergovernmental	2,756,417	36,592	0	0
Accrued Interest	115,811	0	0	0
Interfund Receivable	683,587	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	218,416	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,584,682	0	0	0
Fixed Assets (net where applicable of accumulated depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$ 63,039,733	\$ 2,433,847	\$ 11,006	\$ 5,290,657
	=====	=====	=====	=====

See accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 282,328	\$ 2,993,576	\$ 98,395	\$ 0	\$ 0	\$ 14,135,427
0	0	0	0	0	1,600,000
0	0	0	0	0	52,859,104
650	0	0	0	0	160,156
7,364	0	0	0	0	2,800,373
0	0	0	0	0	115,811
0	0	0	0	0	683,587
64,027	0	0	0	0	64,027
2,572	0	0	0	0	220,988
0	0	0	0	0	1,584,682
60,692	0	0	44,689,837	0	44,750,529
0	0	0	0	11,006	11,006
0	0	0	0	9,856,291	9,856,291
<u>\$ 417,633</u>	<u>\$ 2,993,576</u>	<u>\$ 98,395</u>	<u>\$ 44,689,837</u>	<u>\$ 9,867,297</u>	<u>\$128,841,981</u>

(Continued)

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 198,939	\$ 99,174	\$ 0	\$ 253,784
Contracts Payable	0	0	0	0
Accrued Wages and Benefits	983,839	37,390	0	6,619
Compensated Absences Payable	555,364	2,098	0	0
Interfund Payable	0	423,099	0	0
Intergovernmental Payable	1,419,387	74,158	0	5,881
Deferred Revenue	46,663,365	0	0	3,016,004
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
Claims Payable	0	0	0	0
Interest Payable	0	0	0	68,227
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	49,820,894	635,919	0	3,350,515
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	437,143	359,829	0	1,184,303
Reserved for Inventory	218,416	0	0	0
Reserved for Property Taxes	2,996,752	0	0	182,983
Reserved for Budget Stabilization	1,584,682	0	0	0
Unreserved, Undesignated	7,981,846	1,438,099	11,006	572,856
Total Fund Equity and Other Credits	13,218,839	1,797,928	11,006	1,940,142
Total Liabilities, Fund Equity and Other Credits	\$ 63,039,733	\$ 2,433,847	\$ 11,006	\$ 5,290,657

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$ 3,584	\$ 2,596	\$ 801	\$ 0	\$ 0	\$ 558,878
0	0	0	0	0	0
33,443	33,967	0	0	0	1,095,258
44,738	0	0	0	5,027,799	5,629,999
260,488	0	0	0	0	683,587
41,157	53,227	27	0	779,498	2,373,335
1,760	0	0	0	0	49,681,129
0	0	97,567	0	0	97,567
0	0	0	0	1,600,000	1,600,000
0	397,880	0	0	0	397,880
0	0	0	0	0	68,227
0	0	0	0	2,460,000	2,460,000
<u>385,170</u>	<u>487,670</u>	<u>98,395</u>	<u>0</u>	<u>9,867,297</u>	<u>64,645,860</u>
0	0	0	44,689,837	0	44,689,837
32,463	2,505,906	0	0	0	2,538,369
0	0	0	0	0	1,981,275
0	0	0	0	0	218,416
0	0	0	0	0	3,179,735
0	0	0	0	0	1,584,682
0	0	0	0	0	10,003,807
<u>32,463</u>	<u>2,505,906</u>	<u>0</u>	<u>44,689,837</u>	<u>0</u>	<u>64,196,121</u>
\$ 417,633	\$ 2,993,576	\$ 98,395	\$ 44,689,837	\$ 9,867,297	\$128,841,981

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues					
Taxes	\$38,751,422	\$ 0	\$ 0	\$ 2,165,126	\$40,916,548
Intergovernmental	21,784,225	4,804,679	0	658,159	27,247,063
Tuition and Fees	1,553,244	0	0	0	1,553,244
Transportation Fees	46,063	0	0	0	46,063
Earnings on Investments	987,272	40,135	0	0	1,027,407
Food Services	92	0	0	0	92
Extracurricular Activities	0	365,223	0	0	365,223
Classroom Materials and Fees	42,721	229,025	0	0	271,746
Miscellaneous	361,508	314,955	0	11,075	687,538
Total Revenues	63,526,547	5,754,017	0	2,834,360	72,114,924
Expenditures					
Current:					
Instruction:					
Regular	29,492,024	760,201	0	151,635	30,403,860
Special	5,342,988	596,734	0	0	5,939,722
Vocational Education	1,371,880	261,773	0	0	1,633,653
Adult/Continuing	11,921	190,890	0	0	202,811
Other	1,639,181	63,369	0	0	1,702,550
Support Services:					
Pupils	5,676,880	924,250	0	256,493	6,857,623
Instructional Staff	3,310,553	601,644	0	97,693	4,009,890
Board of Education	763,661	0	0	0	763,661
Administrative	4,748,168	169,589	0	0	4,917,757
Fiscal Services	1,730,962	7,317	0	0	1,738,279
Business	1,356,402	277	0	101,122	1,457,801
Operation and Maintenance					
of Plant Services	7,988,821	2,810	0	3,714,172	11,705,803
Pupil Transportation	2,261,948	4,712	0	0	2,266,660
Central Services	2,435,797	68,030	0	0	2,503,827
Operation of Non-					
Instructional Service	79,469	0	0	0	79,469
Food Services	927	0	0	0	927
Community Services	21,199	2,003,578	0	0	2,024,777
Extracurricular Activities	686,190	224,008	0	0	910,198
Building Acquisition	0	14,678	0	0	14,678
Debt Service:					
Principal Retirement	22,264	0	440,000	0	462,264
Interest and Fiscal Charges	319	0	120,460	68,227	189,006
Total Expenditures	68,941,554	5,893,860	560,460	4,389,342	79,785,216
Excess of Revenues Over (Under) Expenditures	(5,415,007)	(139,843)	(560,460)	(1,554,982)	(7,670,292)
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	327	0	0	132,516	132,843
Operating Transfers - In	241,804	204,086	560,460	0	1,006,350
Operating Transfers - Out	(1,658,520)	(95,170)	0	(222,295)	(1,975,985)
Total Other Financing Sources (Uses)	(1,416,389)	108,916	560,460	(89,779)	(836,792)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,831,396)	(30,927)	0	(1,644,761)	(8,507,084)
Fund Balance, as Restated-					
Beginning of Year	20,049,527	1,828,855	11,006	3,584,903	25,474,291
Increase in Reserve for Inventory	708	0	0	0	708
Fund Balance - End of Year	\$13,218,839	\$ 1,797,928	\$ 11,006	\$ 1,940,142	\$16,967,915

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS 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, 2000**

	GENERAL FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$42,648,276	\$42,978,961	\$ 330,685
Intergovernmental	23,607,905	21,784,225	(1,823,680)
Tuition and Fees	1,377,808	1,526,726	148,918
Transportation Fees	50,458	44,863	(5,595)
Earnings on Investments	1,059,619	1,096,065	36,446
Food Services	101	92	(9)
Extracurricular Activities	0	0	0
Classroom Materials and Fees	32,798	42,721	9,923
Miscellaneous	217,556	264,401	46,845
Total Revenues	68,994,521	67,738,054	(1,256,467)
Expenditures			
Current:			
Instruction:			
Regular	30,144,382	29,052,358	1,092,024
Special	5,815,150	5,355,694	459,456
Vocational Education	1,432,964	1,369,466	63,498
Adult/Continuing	13,322	11,800	1,522
Other	1,762,739	1,738,446	24,293
Support Services:			
Pupils	6,127,204	5,697,431	429,773
Instructional Staff	3,602,177	3,293,726	308,451
Board of Education	790,996	736,186	54,810
Administrative	5,015,058	4,679,270	335,788
Fiscal Services	1,827,355	1,751,837	75,518
Business	1,448,398	1,392,961	55,437
Operation and Maintenance of Plant Services	8,593,170	8,123,630	469,540
Pupil Transportation	2,455,408	2,267,296	188,112
Central Services	2,678,128	2,542,793	135,335
Operation of Non-Instructional Services:			
Food Services	0	0	0
Community Services	149,566	104,657	44,909
Extracurricular Activities	783,251	687,103	96,148
Building Acquisition	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	72,639,268	68,804,654	3,834,614
Excess of Revenues Over (Under) Expenditures	(3,644,747)	(1,066,600)	2,578,147
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	505	327	(178)
Operating Transfers In	244,515	241,804	(2,711)
Operating Transfers Out	(384,991)	(1,658,520)	(1,273,529)
Advances In	63,577	100,523	36,946
Advances Out	(205,055)	(170,143)	34,912
Contingencies	(43,755)	0	43,755
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	111,008	98,961	(12,047)
Total Other Financing Sources (Uses)	(214,196)	(1,387,048)	(1,172,852)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,858,943)	(2,453,648)	1,405,295
Fund Balance - Beginning of Year	10,087,377	10,087,377	0
Prior Year Encumbrances Appropriated	1,353,151	1,353,151	0
Fund Balance - End of Year	\$ 7,581,585	\$ 8,986,880	\$ 1,405,295

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS 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, 2000**

	SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	4,387,712	5,021,927	634,215
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	30,493	40,135	9,642
Food Services	0	0	0
Extracurricular Activities	575,971	369,257	(206,714)
Classroom Materials and Fees	85,840	240,385	154,545
Miscellaneous	299,527	304,149	4,622
Total Revenues	5,379,543	5,975,853	596,310
Expenditures			
Current:			
Instruction:			
Regular	1,197,432	840,235	357,197
Special	775,941	609,665	166,276
Vocational Education	328,329	272,271	56,058
Adult/Continuing	457,607	193,073	264,534
Other	4,625	576	4,049
Support Services:			
Pupils	1,455,539	927,066	528,473
Instructional Staff	942,741	660,134	282,607
Board of Education	0	0	0
Administrative	226,777	166,393	60,384
Fiscal Services	13,185	7,058	6,127
Business	896	857	39
Operation and Maintenance of Plant Services	3,659	2,810	849
Pupil Transportation	8,834	4,712	4,122
Central Services	146,418	102,977	43,441
Operation of Non-Instructional Services:			
Food Services	772	0	772
Community Services	2,577,714	2,160,100	417,614
Extracurricular Activities	412,808	242,428	170,380
Building Acquisition	34,178	14,678	19,500
Debt Service:			
Principal and Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	8,587,455	6,205,033	2,382,422
Excess of Revenues Over (Under) Expenditures	(3,207,912)	(229,180)	2,978,732
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	0	0	0
Operating Transfers In	181,709	204,086	22,377
Operating Transfers Out	(111,952)	(95,170)	16,782
Advances In	164,747	271,648	106,901
Advances Out	(497,058)	(202,028)	295,030
Contingencies	(25,000)	0	25,000
Refund of Prior Year Receipts	(88,012)	(67,502)	20,510
Refund of Prior Year Expenditures	0	141	141
Total Other Financing Sources (Uses)	(375,566)	111,175	486,741
Excess of Revenues and Other Financing Sources			
Over (Under) Expenditures and Other Financing Uses	(3,583,478)	(118,005)	3,465,473
Fund Balance - Beginning of Year	1,488,702	1,488,702	0
Prior Year Encumbrances Appropriated	575,449	575,449	0
Fund Balance End of Year	\$ (1,519,327)	\$ 1,946,146	\$ 3,465,473

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS 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, 2000**

	DEBT SERVICE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	0
Tuition and Fees	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	0	0	0
Food Services	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational Education	0	0	0
Adult/Community	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administrative	0	0	0
Fiscal Services	0	0	0
Business	0	0	0
Operation and Maintenance of Plant Services	0	0	0
Pupil Transportation	0	0	0
Central Services	0	0	0
Operation of Non-Instructional Services:			
Food Services	0	0	0
Community Services	0	0	0
Extracurricular Activities	0	0	0
Building Acquisition	0	0	0
Debt Service:			
Principal Retirement	510,706	440,000	70,706
Interest and Fiscal Charges	120,460	120,460	0
Total Expenditures	<u>631,166</u>	<u>560,460</u>	<u>70,706</u>
Excess of Revenues Over (Under) Expenditures	<u>(631,166)</u>	<u>(560,460)</u>	<u>70,706</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	0	0	0
Operating Transfers In	620,160	560,460	(59,700)
Operating Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Contingencies	0	0	0
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	0	0	0
Total Other Financing Sources (Uses)	<u>620,160</u>	<u>560,460</u>	<u>(59,700)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,006)	0	11,006
Fund Balances - Beginning of Year	11,006	11,006	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances - End of Year	<u>\$ 0</u>	<u>\$ 11,006</u>	<u>\$ 11,006</u>

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS 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, 2000**

	CAPITAL PROJECTS FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 2,248,351	\$ 2,421,488	\$ 173,137
Intergovernmental	176,311	658,159	481,848
Tuition and Fees	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	0	0	0
Food Services	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous	0	75	75
Total Revenues	<u>2,424,662</u>	<u>3,079,722</u>	<u>655,060</u>
Expenditures			
Current:			
Instruction:			
Regular	857,209	311,805	545,404
Special	0	0	0
Vocational Education	0	0	0
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	753,280	681,422	71,858
Instructional Staff	109,511	100,275	9,236
Board of Education	0	0	0
Administrative	0	0	0
Fiscal Services	0	0	0
Business	139,341	139,244	97
Operation and Maintenance of Plant Services	4,857,531	4,024,176	833,355
Pupil Transportation	0	0	0
Central Services	0	0	0
Operation of Non-Instructional Services:			
Food Services	0	0	0
Community Services	0	0	0
Extracurricular Activities	0	0	0
Building Acquisition	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	68,227	(68,227)
Total Expenditures	<u>6,716,872</u>	<u>5,325,149</u>	<u>1,391,723</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,292,210)</u>	<u>(2,245,427)</u>	<u>2,046,783</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	637,268	132,516	(504,752)
Operating Transfers In	0	0	0
Operating Transfers Out	(222,295)	(222,295)	0
Advances In	0	0	0
Advances Out	0	0	0
Contingencies	0	0	0
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	987	11,520	10,533
Total Other Financing Sources (Uses)	<u>415,960</u>	<u>(78,259)</u>	<u>(494,219)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(3,876,250)</u>	<u>(2,323,686)</u>	<u>1,552,564</u>
Fund Balance - Beginning of Year	2,676,347	2,676,347	0
Prior Year Encumbrances Appropriated	584,058	584,058	0
Fund Balance - End of Year	<u>\$ (615,845)</u>	<u>\$ 936,719</u>	<u>\$ 1,552,564</u>

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS 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, 2000**

	TOTALS (MEMORANDUM ONLY)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$44,896,627	\$45,400,449	\$ 503,822
Intergovernmental	28,171,928	27,464,311	(707,617)
Tuition and Fees	1,377,808	1,526,726	148,918
Transportation Fees	50,458	44,863	(5,595)
Earnings on Investments	1,090,112	1,136,200	46,088
Food Services	101	92	(9)
Extracurricular Activities	575,971	369,257	(206,714)
Classroom Materials and Fees	118,638	283,106	164,468
Miscellaneous	517,083	568,625	51,542
Total Revenues	76,798,726	76,793,629	(5,097)
Expenditures			
Current:			
Instruction:			
Regular	32,199,023	30,204,398	1,994,625
Special	6,591,091	5,965,359	625,732
Vocational Education	1,761,293	1,641,737	119,556
Adult/Community	470,929	204,873	266,056
Other	1,767,364	1,739,022	28,342
Support Services:			
Pupils	8,336,023	7,305,919	1,030,104
Instructional Staff	4,654,429	4,054,135	600,294
Board of Education	790,996	736,186	54,810
Administrative	5,241,835	4,845,663	396,172
Fiscal Services	1,840,540	1,758,895	81,645
Business	1,588,635	1,533,062	55,573
Operation and Maintenance of Plant Services	13,454,360	12,150,616	1,303,744
Pupil Transportation	2,464,242	2,272,008	192,234
Central Services	2,824,546	2,645,770	178,776
Operation of Non-Instructional Services:			
Food Services	772	0	772
Community Services	2,727,280	2,264,757	462,523
Extracurricular Activities	1,196,059	929,531	266,528
Building Acquisition	34,178	14,678	19,500
Debt Service:			
Principal Retirement	510,706	440,000	70,706
Interest and Fiscal Charges	120,460	188,687	(68,227)
Total Expenditures	88,574,761	80,895,296	7,679,465
Excess of Revenues Over (Under) Expenditures	(11,776,035)	(4,101,667)	7,674,368
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	637,773	132,843	(504,930)
Operating Transfers In	1,046,384	1,006,350	(40,034)
Operating Transfers Out	(719,238)	(1,975,985)	(1,256,747)
Advances In	228,324	372,171	143,847
Advances Out	(702,113)	(372,171)	329,942
Contingencies	(68,755)	0	68,755
Refund of Prior Year Receipts	(88,012)	(67,502)	20,510
Refund of Prior Year Expenditures	111,995	110,622	(1,373)
Total Other Financing Sources (Uses)	446,358	(793,672)	(1,240,030)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,329,677)	(4,895,339)	6,434,338
Fund Balances - Beginning of Year	14,263,432	14,263,432	0
Prior Year Encumbrances Appropriated	2,512,658	2,512,658	0
Fund Balances - End of Year	\$ 5,446,413	\$11,880,751	\$ 6,434,338

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND EQUITY - ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	
<u>Operating Revenues</u>			
Intergovernmental	\$ 43,645	\$ 0	\$ 43,645
Tuition and Fees	1,451,490	6,997,374	8,448,864
Food Services	1,043,692	0	1,043,692
Extracurricular	1,098	0	1,098
Classroom Materials and Fees	21,537	0	21,537
Miscellaneous	6,255	541,972	548,227
Total Operating Revenues	<u>2,567,717</u>	<u>7,539,346</u>	<u>10,107,063</u>
<u>Operating Expenses</u>			
Salaries and Wages	1,517,581	1,721,592	3,239,173
Fringe Benefits	364,432	6,096,224	6,460,656
Purchased Services	1,267,233	311,196	1,578,429
Supplies and Materials	168,889	69,197	238,086
Capital Outlay	7,376	37,484	44,860
Other	40,416	3,333	43,749
Depreciation	10,064	0	10,064
Total Operating Expenses	<u>3,375,991</u>	<u>8,239,026</u>	<u>11,615,017</u>
Operating Income (Loss)	<u>(808,274)</u>	<u>(699,680)</u>	<u>(1,507,954)</u>
<u>Non-Operating Revenues</u>			
Federal Donated Commodities	64,764	0	64,764
Operating Grants	567,904	612,992	1,180,896
Total Non-Operating Revenues	<u>632,668</u>	<u>612,992</u>	<u>1,245,660</u>
Income (Loss) Before Operating Transfers	<u>(175,606)</u>	<u>(86,688)</u>	<u>(262,294)</u>
<u>Operating Transfers</u>			
Operating Transfers In	181,641	767,668	949,309
Total Operating Transfers	<u>181,641</u>	<u>767,668</u>	<u>949,309</u>
Net Income (Loss)	6,035	680,980	687,015
Retained Earnings (Deficit), as Restated - Beginning of Year	26,428	1,824,926	1,851,354
Retained Earnings (Deficit) - End of Year	<u>\$ 32,463</u>	<u>\$2,505,906</u>	<u>\$2,538,369</u>

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL -
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	ENTERPRISE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 425,266	\$ 780,787	\$ 355,521
Operating Grants	0	0	0
Tuition and Fees	921,334	1,454,351	533,017
Food Services	1,178,959	1,043,692	(135,267)
Extracurricular	3,011	1,605	(1,406)
Classroom Materials and Fees	25,184	21,537	(3,647)
Miscellaneous	638,373	19,036	(619,337)
Total Revenues	3,192,127	3,321,008	128,881
Expenses			
Salaries and Wages	1,506,901	1,511,087	(4,186)
Fringe Benefits	403,358	401,730	1,628
Purchased Services	1,399,414	1,294,316	105,098
Supplies and Materials	239,361	178,672	60,689
Capital Outlay	80,377	66,566	13,811
Other	46,662	40,777	5,885
Total Expenses	3,676,073	3,493,148	182,925
Excess of Revenues Over(Under) Expenses	(483,946)	(172,140)	311,806
Other Financing Sources (Uses)			
Operating Transfers In	197,373	181,641	(15,732)
Contingencies	0	0	0
Total Other Financing Sources (Uses)	197,373	181,641	(15,732)
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(286,573)	9,501	296,074
Fund Equity, as Restated - Beginning of Year	48,934	48,934	0
Prior Year Encumbrances Appropriated	201,440	201,440	0
Fund Equity (Deficit) - End of Year	\$ (36,199)	\$ 259,875	\$ 296,074
	=====	=====	=====

(Continued)

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL -
 ALL PROPRIETARY FUND TYPES (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	INTERNAL SERVICE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 0	\$ 0	\$ 0
Operating Grants	1,042,945	612,992	(429,953)
Tuition and Fees	7,874,083	6,997,374	(876,709)
Food Services	0	0	0
Extracurricular	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous	541,972	541,972	0
Total Revenues	9,459,000	8,152,338	(1,306,662)
Expenses			
Salaries and Wages	1,868,740	1,654,405	214,335
Fringe Benefits	7,518,287	6,068,610	1,449,677
Purchased Services	605,591	386,051	219,540
Supplies and Materials	79,164	72,159	7,005
Capital Outlay	42,865	39,438	3,427
Other	9,525	3,402	6,123
Total Expenses	10,124,172	8,224,065	1,900,107
Excess of Revenues Over (Under) Expenses	(665,172)	(71,727)	593,445
Other Financing Sources (Uses)			
Operating Transfers In	0	767,668	767,668
Contingencies	(227,692)	0	227,692
Total Other Financing Sources (Uses)	(227,692)	767,668	995,360
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(892,864)	695,941	1,588,805
Fund Equity - Beginning of Year	2,214,914	2,214,914	0
Prior Year Encumbrances Appropriated	10,171	10,171	0
Fund Equity - End of Year	\$ 1,332,221	\$ 2,921,026	\$ 1,588,805

(Continued)

See accompanying notes to the general purpose financial statements.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL -
 ALL PROPRIETARY FUND TYPES (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>TOTALS (MEMORANDUM ONLY)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Intergovernmental	\$ 425,266	\$ 780,787	\$ 355,521
Operating Grants	1,042,945	612,992	(429,953)
Tuition and Fees	8,795,417	8,451,725	(343,692)
Food Services	1,178,959	1,043,692	(135,267)
Extracurricular	3,011	1,605	(1,406)
Classroom Materials and Fees	25,184	21,537	(3,647)
Miscellaneous	1,180,345	561,008	(619,337)
Total Revenues	<u>12,651,127</u>	<u>11,473,346</u>	<u>(1,177,781)</u>
<u>Expenses</u>			
Salaries and Wages	3,375,641	3,165,492	210,149
Fringe Benefits	7,921,645	6,470,340	1,451,305
Purchased Services	2,005,005	1,680,367	324,638
Supplies and Materials	318,525	250,831	67,694
Capital Outlay	123,242	106,004	17,238
Other	56,187	44,179	12,008
Total Expenses	<u>13,800,245</u>	<u>11,717,213</u>	<u>2,083,032</u>
Excess of Revenues Over (Under) Expenses	<u>(1,149,118)</u>	<u>(243,867)</u>	<u>905,251</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	197,373	949,309	751,936
Contingencies	(227,692)	0	227,692
Total Other Financing Sources (Uses)	<u>(30,319)</u>	<u>949,309</u>	<u>979,628</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	<u>(1,179,437)</u>	<u>705,442</u>	<u>1,884,879</u>
Fund Equity - Beginning of Year	2,263,848	2,263,848	0
Prior Year Encumbrances Appropriated	211,611	211,611	0
Fund Equity - End of Year	<u>\$ 1,296,022</u>	<u>\$ 3,180,901</u>	<u>\$ 1,884,879</u>

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

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$ 2,519,580	\$ 1,244,572	\$ 3,764,152
Cash Received from Quasi-External Transactions with Other Funds	0	6,294,774	6,294,774
Cash Payments from Other Operating Sources	20,641	0	20,641
Cash Payments to Suppliers for Goods and Services	(1,468,214)	(425,328)	(1,893,542)
Cash Payments to Employees for Services	(1,511,087)	(1,654,402)	(3,165,489)
Cash Payments for Employee Benefits	(401,730)	0	(401,730)
Cash Payments for Claims	0	(6,068,452)	(6,068,452)
Cash Payments for Other	(40,416)	(3,333)	(43,749)
Net Cash Provided by (Used for) Operating Activities	<u>(881,226)</u>	<u>(612,169)</u>	<u>(1,493,395)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Grants Received	780,787	612,992	1,393,779
Operating Transfers In	181,641	767,668	949,309
Operating Transfers Out	0	0	0
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>962,428</u>	<u>1,380,660</u>	<u>2,343,088</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Payments for Capital Acquisitions	(49,247)	0	(49,247)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>31,955</u>	<u>768,491</u>	<u>800,446</u>
Cash and Cash Equivalents - Beginning of Year	<u>250,373</u>	<u>2,225,085</u>	<u>2,475,458</u>
Cash and Cash Equivalents - End of Year	<u>\$ 282,328</u>	<u>\$ 2,993,576</u>	<u>\$ 3,275,904</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities</u>			
Operating Income (Loss)	\$ (808,274)	\$ (699,680)	\$ (1,507,954)
Adjustments			
Depreciation	10,064	0	10,064
Donated Commodities Used During the Year	64,764	0	64,764
(Increase) Decrease in Assets:			
Accounts Receivable	4,672	0	4,672
Inventory Held for Resale	(56,251)	0	(56,251)
Materials and Supplies Inventory	(547)	0	(547)
Increase (Decrease) in Liabilities:			
Accounts Payable	(79,223)	(7,322)	(86,545)
Contracts Payable	(18,408)	0	(18,408)
Accrued Wages and Benefits	9,883	24,049	33,932
Compensated Absences Payable	6,724	0	6,724
Intergovernmental Payable	(14,630)	52,902	38,272
Claims Payable	0	17,882	17,882
Total Adjustments	<u>(72,952)</u>	<u>87,511</u>	<u>14,559</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (881,226)</u>	<u>\$ (612,169)</u>	<u>\$ (1,493,395)</u>

See accompanying notes to the general purpose financial statements.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: DESCRIPTION OF THE DISTRICT AND THE REPORTING ENTITY

The Cleveland Heights-University Heights City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board of Education controls the District's ten instructional/support facilities staffed by 740 classified employees, 662 certificated full-time teaching personnel, and 52 administrators who provide services to 7,060 students and other community members.

The Reporting Entity

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

The following non-public schools operate within the District's boundaries: Beaumont School, Fuchs Mizrahi School, GESU School, Hebrew Academy of Cleveland, Lutheran East High School, Mosdos Ohr Hatorah, Ruffing Montessori, St. Ann School, and St. Louis School. Current State legislation provides funding to these non-public schools. These monies are received and disbursed by the District on behalf of the non-public schools by the Treasurer of the District, as directed by the non-public schools. The activity of these monies by the District is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and:

- (1) the District is able to significantly influence the programs or services performed or provided by the organization; or
- (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF THE ENTITY** (Continued)

The Reporting Entity (Continued)

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District is associated with the Ohio Schools Council Association, a jointly governed organization, and the Cleveland Heights-University Heights Public Library, a related organization. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued 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 District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The 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 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 not recorded in the funds because they do not directly affect net available expendable resources.

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

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation - Fund Accounting** (Continued)

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Type

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

Enterprise Funds - Enterprise funds are used to account for operations 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 and 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.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation - Fund Accounting** (Continued)

Proprietary Fund Type (Continued)

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include agency funds. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the 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 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 and expendable trust funds 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.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the 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 (i.e., revenues) and decreases (i.e., 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 the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the 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 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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 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.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. 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 Accounting

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 has been established by the Board of Education at the fund level. 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 Cuyahoga County Budget Commission for rate determination.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Budgetary Accounting** (Continued)

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as 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 District's Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

Appropriations

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. 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 within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do 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 agency funds, consistent with statutory provisions.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Budgetary Accounting** (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds and reported in the notes to the 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 District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2000, the District's investments were limited to repurchase agreements, bankers' acceptances, federal government and agency securities, manuscript notes, and STAROhio, the State Treasurer's investment pool. Except for nonparticipating investment contracts, all investments of the District 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. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Cash and Cash Equivalents** (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$987,272 which includes \$40,135 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of 3 months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than 3 months that are not purchased from the pool are reported as 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 amounts required by statute to be set aside by the District to create a reserve for budget stabilization. See Note 23 for the calculation of the year end restricted asset balance and the corresponding fund balance reserves.

F. **Materials and Supplies Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported materials 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. Inventories of proprietary funds consist of donated food held for resale and school supplies held for resale and are expensed when used.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions 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 fund 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 value as of the date received. The District maintains a capitalization threshold of one thousand dollars and any electronic equipment. The 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 five to ten years. Improvements are depreciated over the remaining useful lives of the related fixed assets.

H. 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 revenue in the accounting period in which they are earned and become measurable.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Intergovernmental Revenues** (Continued)

The District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

State Property Tax Relief

Special Revenue Funds

M.I.S. Grant

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Title I

Title VI-B

Disadvantaged Pupil Aid

Title VI

Early Childhood Grant

Drug Free Schools

Career Education

Auxiliary Services

Motorcycle Safety/Education

Learn and Serve America

Capital Projects Funds

School Net Plus

Power Up

Reimbursable Grants

General Fund

School Bus Purchase Reimbursement

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 37.80 percent of the governmental fund revenue during the 2000 school year.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services 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 receivables/payables.”

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 District will compensate the employees for the benefits through paid time off or some other means. The 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 termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations 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 judgments, compensated absences, contractually required pension contributions 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. In general, payments made more than sixty days after year end are considered not to have been made with current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. Accrued Liabilities and Long-Term Obligations (Continued)

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

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

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations 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.

N. Estimates

The preparation of 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.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

O. **Memorandum Only - Total Columns on Combined Statements**

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

NOTE 3: **ACCOUNTABILITY AND LEGAL COMPLIANCE**

A. **Fund Deficits**

The following funds had deficit fund balances/retained earnings at June 30, 2000:

	<u>Deficit Fund Balance/ Retained Earnings</u>
Special Revenue Funds:	
Career Development	\$ 12,608
Public School - Preschool	19,210
DPIA	14,336
Job Training Partnership Act	74,974
Vocational Education	24,022
Chapter II	12,354
Drug Free Schools	2,738
Preschool Disabilities	18,555
 Capital Projects Funds:	
Building	68,227
 Enterprise Funds:	
Uniform School Supplies	71,752
Community Services	125,207

The special revenue and capital projects 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.

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

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 3: **ACCOUNTABILITY AND LEGAL COMPLIANCE** (Continued)

B. Compliance with Estimated Resources and Appropriations

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2000 contrary to Ohio Revised Code Section 5705.39:

<u>Fund/Function</u>	<u>Total Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<i>Special Revenue Funds</i>			
Other Grants	249,277	394,203	144,926
Auxiliary Services	1,528,411	1,961,143	432,732
Career Development Program	65,000	71,950	6,950
Teacher Development Grant	51,471	61,702	10,231
Gifted Education	175	6,435	6,260
Educ. Mgmt. Information System	21,000	47,561	26,561
Public School Pre-School	165,529	325,585	160,056
DPIA Fund	262,516	262,786	270
Textbook/Instr. Mater. Subsidy	33,682	41,235	7,553
Ohio Reads	0	48,723	48,723
Alternative School Grant	0	270,000	270,000
Miscellaneous State Grants	298,434	680,431	381,997
Adult Basic Education	337,956	585,433	247,477
Job Training Partnership Act	163,239	273,314	110,075
Education for Economic Security	45,082	55,180	10,098
Vocational Education	249,000	281,621	32,621
Title I	1,131,346	1,218,322	86,976
Chapter II	39,000	165,882	126,882
Emergency Immigrant Education	1,288	7,164	5,876
Drug Free Schools	82,938	83,164	226
Pre-School Disabilities Grant	34,000	59,377	25,377
Miscellaneous Federal Grants	304,698	482,951	178,253

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 3: **ACCOUNTABILITY AND LEGAL COMPLIANCE** (Continued)

B. Compliance with Estimated Resources and Appropriations (Continued)

<u>Fund/Function</u>	Total Estimated <u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Capital Project Funds</u>			
Permanent Improvement	4,719,163	5,527,828	808,665
Building 1	765,828	794,775	28,947
Power Up	69,550	441,300	371,750
<u>Enterprise Funds</u>			
Food Service	1,741,536	1,912,028	170,492
Community Services	1,604,805	1,617,719	12,914
General Rotary	4,500	75,509	71,009
<u>Internal Service Funds</u>			
Bellefaire (General Rotary)	3,027,000	3,027,446	446

NOTE 4: **RESTATEMENT OF FUND BALANCES**

Due to the reclassification of the community services deficit fund balance from the special revenue fund to the enterprise fund, the special revenue prior year cash and fund balance was increased by \$163,277 and the enterprise cash and retained earnings balance was decreased by \$163,277.

	<u>Special Revenue Fund</u>
Fund Balance as of June 30, 1999	\$1,665,578
Reclassification of Community Services Fund	163,277
Restated Fund Balance, June 30, 1999	<u>\$1,828,855</u>
	<u>Enterprise Fund</u>
Retained earnings as of June 30, 1999	\$ 189,705
Reclassification of Community Services Fund	(163,277)
Restated Retained Earnings Balance, June 30, 1999	<u>\$ 26,428</u>

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/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 - All Proprietary Fund Types 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Short-term interfund loans are treated as Other Financing Sources (Uses) in cash (budget) rather than as Interfund Receivables/Payables on the balance sheet (GAAP).

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	\$ (6,831,396)	\$ (30,927)	\$ 0	\$ (1,644,761)
Revenue Accruals	4,310,468	221,977	0	256,882
Advances In	100,523	271,648	0	0
Expenditure Accruals	611,272	57,089	0	309,123
Advances Out	(170,143)	(202,028)	0	0
Encumbrances	(474,372)	(435,764)	0	(1,244,930)
Budget Basis	\$ (2,453,648)	\$ (118,005)	\$ 0	\$ (2,323,686)

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 5: BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income (Loss)/Excess of Revenues Under Expenses and Operating Transfers
All Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$ 6,035	\$ 680,980
Revenue Accrual	120,623	0
Expense Accrual	(97,391)	124,995
Capital Outlay	(7,376)	(37,484)
Depreciation Expense	10,064	0
Encumbrances	(22,454)	(72,550)
Budget Basis	<u>\$ 9,501</u>	<u>\$ 695,941</u>

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

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

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

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

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

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

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 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 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements*.

Deposits

At fiscal year end, the carrying amount of the District's deposits was \$2,473,365 and the bank balance was \$4,982,953. Of the bank balance:

1. \$211,305 was covered by federal depository insurance; and
2. \$4,771,648 was uninsured and uncollateralized.

Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

<u>Description</u>	<u>Category 1</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 0	\$ 9,332,737	\$ 9,332,737	\$ 9,332,737
Federal Home Loan Bank Notes	0	971,387	971,387	971,387
Federal National Mortgage Association Notes	0	1,970,845	1,970,845	1,970,845
Manuscript Note	1,600,000	0	1,600,000	1,600,000
STAROhio	0	0	971,775	971,775
Total Investments	<u>\$ 1,600,000</u>	<u>\$ 2,274,969</u>	<u>\$ 14,846,744</u>	<u>\$ 14,846,744</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB statement No. 3 is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 15,720,109	\$ 1,600,000
Investments of the Cash Management Pool:		
Repurchase Agreements	(9,332,737)	9,332,737
Federal Home Loan Bank	(971,387)	971,387
Federal National Mortgage Association	(1,970,845)	1,970,845
STAROhio	(971,775)	971,775
GASB Statement 3	\$ 2,473,365	\$ 14,846,744
	=====	=====

NOTE 7: **PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value listed as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2000 public utility property taxes which become a lien December 31, 1999 are levied after April 1, 2000 and are collected in 2001 with real property taxes.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 7: **PROPERTY TAXES** (Continued)

2000 tangible personal property taxes are levied after April 1, 2000, on the assessed value listed as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	<u>1999 Second-Half Collections</u>		<u>2000 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 802,796,940	93.90%	\$ 813,037,690	94.16%
Public Utility Personal	29,159,440	3.41%	26,927,490	3.12%
Tangible Personal Property	22,936,713	2.69%	23,459,179	2.72%
	<u>\$ 854,893,093</u>	<u>100.00%</u>	<u>\$ 863,424,359</u>	<u>100.00%</u>
	=====	=====	=====	=====
Tax Rate per \$1,000 of Assessed valuation	\$ 111.00		\$ 111.00	

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 earlier or later 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 District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Cleveland Heights-University Heights City School District. The County Auditor periodically remits to the District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 7: **PROPERTY TAXES** (Continued)

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 to the District as an advance at June 30, 2000, was \$3,179,735 and is recognized as revenue. \$2,996,752 was available to the general fund and \$182,983 was available to the permanent improvement capital projects fund.

NOTE 8: **RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), tuition, intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>	<u>Total Fund Amount</u>
<i>General Fund:</i>		
Cuyahoga County Treasurer - mailing	\$ 2,085	
Special Education - tuition	2,476,315	
Vocational Education - tuition	278,017	
<i>Total General Fund</i>		2,756,417
 <i>Special Revenue Funds:</i>		
Motorcycle Safety	9,381	
Joint Training Partnership	13,985	
Chapter II	13,226	
<i>Total Special Revenue Funds</i>		36,592
 <i>Enterprise Fund:</i>		
National School Lunch Program	7,364	
<i>Total Enterprise Fund</i>		7,364
Total Intergovernmental Receivables		\$2,800,373
		=====

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 9: FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 605,251
Less Accumulated Depreciation	(544,559)
Net Fixed Assets	\$ 60,692
	=====

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	Balance at June 30, 1999	Additions	Disposals	Balance at June 30, 2000
Land and Land Improvements	\$ 251,868	\$ 0	\$ 0	\$ 251,868
Buildings	10,375,728	0	0	10,375,728
Furniture and Equipment	31,065,654	557,732	0	31,623,386
Vehicles	2,438,855	0	0	2,438,855
Total	\$44,132,105	\$ 557,732	\$ 0	\$44,689,837
	=====	=====	=====	=====

NOTE 10: RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2000, the District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Level of Coverage	Deductible
Nationwide-Wausau Insurance Co.	Liability	\$5,000,000/\$1,000,000	\$ 0
	Fleet and Inland Marine	\$5,000,000 (limit)	\$ 50/\$250
	Property	\$111,015,110 (limit)	\$ 50,000
Fidelity and Deposit Co. Of Maryland Wausau	Employee Blanket Bond	\$20,000 (limit)	\$ 500
	Position and Treasurers	\$20,000-\$100,000 (limit)	\$ 0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no change from prior years coverage.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 10: **RISK MANAGEMENT** (Continued)

B. Workers' Compensation

Prior to 1996, the District participated in the State Workers' Compensation retrospective rating and payment system. The plan involved the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for the employees injured. During 1996, the District switched to the premium rating coverage provided by the State. This coverage is based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The District still owes the State Workers' Compensation System for ongoing claims during the year the District was covered by the retrospective rating plan. Claims of \$309,513 have been accrued as a liability in the Workers' Compensation Internal Service fund at June 30, 2000 based on an estimate by the claims administrator. Changes in the fund's claims liability amount in 1999 and 2000 are as follows:

	Balance at of Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
June 30, 1999	\$ 325,468	\$ 261,472	\$ 219,836	\$ 367,104
June 30, 2000	\$ 367,104	\$ 152,741	\$ 210,332	\$ 309,513

C. Employee Medical Benefits

The District operates and manages employee health benefits on a self-insured basis for prescriptions for all employees and dental and vision for teachers. The District maintains a self insurance internal service fund to account for and finance its uninsured risks of loss in this program. Great West Life, Inc. reviews all claims which are then paid by the District. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Incurred but not reported claims of \$88,367 have been accrued in the self insurance internal service fund at June 30, 2000 based on an estimate from the third party administrator.

The claims liability of \$88,367 reported in the funds at June 30, 2000 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 1999 and 2000 are as follows:

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 10: **RISK MANAGEMENT** (Continued)

C. **Employee Medical Benefits** (Continued)

	Balance at of Beginning <u>of Year</u>	Current <u>Year Claims</u>	Claim <u>Payments</u>	Balance at <u>End of Year</u>
June 30, 1999	\$ 47,253	\$1,235,733	\$1,270,092	\$ 12,894
June 30, 2000	\$ 12,894	\$1,965,366	\$1,889,893	\$ 88,367

NOTE 11: **DEFINED BENEFIT PENSION PLANS**

A. **School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 State statute per 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 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount by SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$1,407,277, \$1,536,189, and \$1,632,201, respectively; 81.08 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998; \$328,376 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and in the general long-term obligations account group.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$2,128,920, \$2,108,838, and \$4,593,743, respectively; 55 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$952,656, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, one member of the Board of Education had elected social security. The Board's liability is 6.2 percent of wages paid.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 12: POSTEMPLOYMENT BENEFITS

The 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, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$2,838,566 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999 (the latest information available) the balance in the fund was \$2,783 million. For the year ended June 30, 1999, net health care costs by STRS were \$249,929,000 and STRS had 95,796 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 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 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, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase of 2.20 percent for fiscal year 2000. 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 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$903,790.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 12: POSTEMPLOYMENT BENEFITS

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, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 13: EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal, and sick leave benefits are derived from negotiated agreements and State laws. Employees can earn three days of personal leave per year. This may be accumulated up to five days. Classified employees can earn ten to twenty-five days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one-fourth of the first 160 days of total sick leave accumulation, 100 percent of the next 25 and one-fourth of any remaining days.

B. Insurance

The District provides employee medical insurance through a fully insured premium based program. The employees may choose from Medical Mutual of Ohio, Health Ohio HMO, Kaiser Permanente, or Supermed Select, who administer the plans and review all claims. A monthly premium is charged to the employee based on whether they are on the single or family plan, a payroll deduction is made for this premium.

The District provides life insurance and accidental death and dismemberment insurance to those employees who work at least five hours per day, through Medical Life Insurance Company and Anthem Benefit Administrators, Inc.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 14: CAPITALIZED LEASES

In prior years, the District entered into leases for copiers. The leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$181,985. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$22,264 in the governmental funds.

NOTE 15: LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding at 6/30/99	Additions	Deductions	Principal Outstanding at 6/30/00
1993 2.57% Energy Conservation Bonds	\$ 1,500,000	\$ 0	\$ 300,000	\$ 1,200,000
1998 7.00% Energy Conservation Bonds	1,400,000	0	140,000	1,260,000
1999 4.30% Notes Payable	1,600,000	0	0	1,600,000
Compensated Absences	6,981,853	0	1,954,054	5,027,799
Pension Obligation	834,800	779,498	834,800	779,498
Capital Leases	22,264	0	22,264	0
Total General Long- Term Obligations	\$12,338,917	\$ 779,498	\$ 3,251,118	\$ 9,867,297
	=====	=====	=====	=====

Energy conservation bonds will be paid from property taxes. The long-term note payable will be paid from property taxes from the capital projects fund over the next three years. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

The legal debt margin of the District as of June 30, 2000 was \$73,648,192 with an unvoted debt margin of \$863,424. Principal and interest requirements to retire general obligation bonds and long-term notes outstanding at June 30, 2000 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 1,040,000	\$ 245,865	\$ 1,285,865
2002	1,040,000	111,280	1,151,280
2003	840,000	70,343	910,343
2004	440,000	42,290	482,290
2005	140,000	28,945	168,945
2006-2009	560,000	51,520	611,520
Total	<u>\$ 4,060,000</u>	<u>\$ 550,243</u>	<u>\$ 4,610,243</u>

NOTE 16: INTERFUND TRANSACTIONS

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 683,587	\$ 0
Special Revenue Funds		
Public Schools Support	0	7,701
Other Grants	0	11,004
District Managed Activity	0	401
Auxiliary Services	0	396
Career Development Program	0	8,856
Motorcycle Safety	0	44,269
Public School Pre-School	0	22,474
Ohio Reads	0	13,241
Job Training Partnership Act	0	132,595
Vocational Education	0	21,743
Title I	0	31,605
Chapter II	0	61,949
Drug Free Schools	0	4,081
Pre-School Disabilities Grant	0	21,613
Miscellaneous Federal Grants	0	41,171
Total Special Revenue Funds	<u>0</u>	<u>423,099</u>
Enterprise Fund		
Uniform School Supplies	0	77,391
Community Services	0	183,097
Total Enterprise Fund	<u>0</u>	<u>260,488</u>
Total All Funds	<u>\$ 683,587</u>	<u>\$ 683,587</u>

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 17: OPERATING TRANSFERS

The District's Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types (GAAP Basis) and the District's Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types display operating transfers-in and transfers-out for the year ended June 30, 2000. These totals are not in agreement as Fund 200 - Student Managed Activity, is not included. Fund 200 - Student Managed Activity, is an agency fund. The fund received a transfer-in of \$29,789 and a transfer-out of \$9,463 during the reporting period. A reconciliation of operating transfers, including Fund 200 - Student Managed Activity, is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General</u>	\$ 241,804	\$1,658,520
<u>Special Revenue</u>		
Special Trust	0	4,094
Public School Support	1,000	9,704
Other Grants	8,668	3,719
Venture Capital - Boulevard	2,337	0
District Managed Activity	119,209	3,327
Public School Pre-School	34	34
Adult Basic Education	30,558	30,558
Job Training Partnership Act	1,766	1,766
Title I	10	10,000
Chapter II	40,504	31,968
Total Special Revenue Funds	<u>204,086</u>	<u>95,170</u>
<u>Debt Service</u>		
Bond Retirement	560,460	0
Total Debt Service Funds	<u>560,460</u>	<u>0</u>
<u>Capital Projects</u>		
Building I	0	222,295
Total Capital Projects Funds	<u>0</u>	<u>222,295</u>
<u>Enterprise</u>		
Uniform School Supplies	2,800	0
Customer Service	65,709	0
Community Services	113,132	0
Total Enterprise Funds	<u>181,641</u>	<u>0</u>
<u>Internal Service</u>		
Bellefaire (General Rotary)	767,668	0
<u>Agency</u>		
Student Managed Activity	29,789	9,463
Total	<u>\$1,985,448</u>	<u>\$1,985,448</u>

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 18: JOINTLY GOVERNED ORGANIZATION

The Ohio Schools' Council Association (Council) is a jointly governed organization among 83 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the District participates. The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the District paid approximately \$700,000 to the Council. Financial information can be obtained by contacting Albert G. Vasek, Executive Secretary, at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The 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 Corporation, 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 Corporation.

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

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

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 19: RELATED ORGANIZATION

The Cleveland Heights-University Heights Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Cleveland Heights-University Heights City School District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees.

NOTE 20: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Customer Service</u>	<u>Community Service</u>	<u>Totals</u>
Operating Revenues	\$1,081,170	\$ 41,507	\$ 10,280	\$1,434,760	\$2,567,717
Depreciation	7,426	0	0	2,638	10,064
Operating Loss	(672,629)	1,748	(62,331)	(75,062)	(808,274)
Donated Commodities	64,764	0	0	0	64,764
Operating Grants	567,904	0	0	0	567,904
Operating Transfers In	0	2,800	65,709	113,132	181,641
Net Income (Loss)	(39,961)	4,548	3,378	38,070	6,035
Net Working Capital	197,546	(71,752)	3,378	(112,663)	16,509
Total Assets	263,906	5,639	6,292	141,796	417,633
Long-Term Compensated					
Absences	13,125	0	0	31,613	44,738
Total Equity	226,044	(71,752)	3,378	(125,207)	32,463
Encumbrances at June 30, 2000	2,671	2,987	0	16,796	22,454

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 monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$13,252,825 of school foundation support for its general fund.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 21: **STATE SCHOOL FUNDING DECISION** (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature 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. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “....the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997 decision, however, it found seven “.....major areas warrant further attention, study, and development by the General Assembly.....” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

NOTE 22: **CONTINGENCIES**

A. **Grants**

The 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 District at June 30, 2000.

B. **Litigation**

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(CONTINUED)

NOTE 23: SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not 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 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 improvements, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Reserve</u>
Set-Aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$1,043,160
Current Year Set-Aside Requirements	1,523,943	1,523,943	541,522
Qualifying Disbursements	2,419,184	3,823,537	0
Total	<u>\$(895,241)</u>	<u>\$(2,299,594)</u>	<u>\$1,584,682</u>
	=====	=====	=====
Cash Balance Carried Forward to FY 2001	\$ 0	\$ 0	\$1,584,682
	=====	=====	=====

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$1,584,682.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution		10.550	\$0	\$64,764	\$0	\$107,695
School Breakfast Program	05-PU-0000	10.553	12,879	0	12,879	0
National School Lunch Program	03-PU-1999	10.555	38,679	0	38,679	0
	03-PU-2000		81,511	0	81,511	0
	04-PU-1999		180,709	0	180,709	0
	04-PU-2000		419,119	0	419,119	0
Total U.S. Department of Agriculture - Nutrition Cluster			732,897	64,764	732,897	107,695
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF 99	84.027	35,227	0	101,608	0
	6B-SF 00		440,735	0	342,212	0
Total CFDA			475,962	0	443,820	0
Special Education - Preschool Grant	PG-S1 99P	84.173	3,430	0	3,171	0
	PG-S1 00P	84.173	9,164	0	24,985	0
Total CFDA			12,594	0	28,156	0
Total Special Education Cluster			488,556	0	471,976	0
Adult Education- State Grant Program	AB-S1 1999	84.002	22,591	0	45,671	0
	AB-S1 1999C		5,177	0	35,010	0
	AB-S1 2000		90,366	0	138,347	0
Total CFDA			118,134	0	219,028	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 1999	84.010	263,235	0	134,072	0
	C1-S1 2000		774,187	0	649,256	0
Total CFDA			1,037,422	0	783,328	0
Vocational Education Basic Grants to States	20-C1-99	84.048	29,085	0	1,483	0
	20-C1-00		185,561	0	214,548	0
Total CFDA			214,646	0	216,031	0
Immigrant Education	EI-S1-00	84.162	5,830	0	5,385	0
	EI-S1-99		0	0	1,335	0
Total CFDA			5,830	0	6,720	0
Drug-Free Schools Grant	DR-S1-99C	84.186	34,633	0	35,831	0
	DR-S1-00P		13,494	0	14,609	0
Total CFDA			48,127	0	50,440	0
Homeless Child Education	HC-S1-99	84.196	0	0	3,420	0
Capital Expenses	CX-S1-97	84.216	0	0	17,774	0
	CX-S1-99		80,000	0	4,800	0
Total CFDA			80,000	0	22,574	0
Goals 2000	G2-S1-99P	84.276	0	0	50,050	0
	G2-S1-00P		54,825	0	0	0
	G2-S5-00		50,000	0	16,386	0
Total CFDA			104,825	0	66,436	0
Eisenhower Professional Development	MS-S1-98C	84.281	0	0	20,140	0
	MS-S1-99P		21,024	0	1,881	0
Total CFDA			21,024	0	22,021	0
Innovative Education Program Strategy	C2-S1-98C	84.298	0	0	3,992	0
	C2-S1-99		34,284	0	6,188	0
	C2-S1-99C		8,639	0	3,872	0
	C2-S1-00		19,488	0	40,853	0
	C2-S1-98		0	0	4,451	0
Total CFDA			62,411	0	59,356	0
Telecommunications Fund	TF-2S-99	84.381	62,500	0	60,755	0
Dependent Care Planning and Development	CR-S1-00	84.340	120,235	0	117,667	0
Total Department of Education			2,363,710	0	2,099,752	0
U.S. DEPARTMENT OF LABOR						
<i>Passed Through Cuyahoga County:</i>						
Employment and Training Assistance		17.246	40,755	0	52,155	0
			40,605	0	38,357	0
			0	0	1,155	0
			11,931	0	2,290	0
Total U.S. Department of Labor			93,291	0	93,957	0
Totals			\$3,189,898	\$64,764	\$2,926,606	\$107,695

See accompanying notes to the Schedule of Federal Awards Expenditures.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures includes the federal grant activity of the District and is presented on the cash basis of accounting.

NOTE B - NATIONAL SCHOOL LUNCH PROGRAM

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

NOTE C - GOVERNMENT DONATED FOODS

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

N/A - Not applicable

CFDA - Catalog of Federal Domestic Assistance



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

Board of Education
Cleveland Heights-University Heights City School District
Cuyahoga County
2155 Miramar Boulevard
University Heights, Ohio 44118

We have audited the financial statements of the Cleveland Heights-University Heights City School District, Cuyahoga County, Ohio, (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated April 3, 2001, in which we noted the District reclassified a fund. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-10818-001 and 2000-10818-002.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated April 3, 2001.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-10818-003 and 200-10818-004.

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.

Cleveland Heights-University Heights City School District
Cuyahoga County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 3, 2001.

This report is intended for the information and use of 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

April 3, 2001



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

Board of Education
Cleveland Heights-University Heights City School District
Cuyahoga County
2155 Miramar Boulevard
University Heights, OH 44118

Compliance

We have audited the compliance of the Cleveland Heights-University Heights City School District, Cuyahoga 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 programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated April 3, 2001.

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.

Cleveland Heights-University Heights City School District
Cuyahoga County
Report on Compliance with Requirements Applicable to Its
Major Federal Programs 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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated April 3, 2001.

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

Jim Petro
Auditor of State

April 3, 2001

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**JUNE 30, 2000
SCHEDULE OF FINDINGS**

SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.027/84.173 - Special Education Cluster CFDA # 84.340 - Title VI-R CFDA # 84.048 - Vocational Education
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**JUNE 30, 2000
SCHEDULE OF FINDINGS
(Continued)**

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

Finding Number	2000-10818-001
----------------	----------------

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue from that fund.

For the 2000 fiscal year, the following funds had appropriations in excess of estimated revenues (plus available balances).

	Estimated Resources	Appropriations	Excess	Percent
<i>Special Revenue Funds:</i>				
Other Grants	\$249,277	\$394,203	\$144,926	58%
Auxiliary Services	1,538,411	1,961,143	432,732	28%
Career Development Programs	65,000	71,950	6,950	11%
Teacher Development Program	51,471	61,702	10,231	20%
Gifted Education	175	6,435	6,260	3,577%
Educ. Mgmt. Information Systems	21,000	47,561	26,561	126%
Public School Pre-School	165,529	325,585	160,056	97%
Textbook Instructional Material Subsidy	33,682	41,235	7,553	22%
Ohio Reads	0	48,723	48,723	100%
Alternative School Grant	0	270,000	270,000	100%
Miscellaneous State Grants	298,434	680,431	381,997	128%
Adult Basic Education	337,956	585,433	247,477	73%
Job Training Partnership Act	163,239	273,314	110,075	67%
Education for Economic Security	45,082	55,180	10,098	224%
Vocational Education	249,000	281,621	32,621	89%
Chapter II	39,000	165,882	126,882	325%
Emergency Immigrant Education	1,288	7,164	5,876	456%
Preschool Disabilities Grant	34,000	59,377	25,377	75%
Miscellaneous Federal Grants	304,698	482,951	178,253	59%
<i>Capital Projects Funds:</i>				
Permanent Improvement	4,719,163	5,527,828	808,665	17%
Power Up	69,550	441,330	371,750	534%
<i>Enterprise Fund:</i>				
Food Service Fund	1,741,536	1,912,028	170,492	10%
General Rotary	4,500	75,509	71,009	1,677%

We recommend the District enforce budget controls to ensure the Board does not appropriate more than the District expects to collect as revenue.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**JUNE 30, 2000
SCHEDULE OF FINDINGS
(Continued)**

Finding Number	2000-10818-002
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Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16, restricts transfers between funds. During the audit period \$1,8723,316 of transfers were executed without a majority vote of the board for General Fund transfers and two-thirds vote for all other funds.

We recommend that the Board approve all transfers through formal resolution.

Finding Number	2000-10818-003
----------------	----------------

During 2000, the District did not prepare timely bank reconciliations. Many of the fiscal year 2000 reconciliations were not completed until November 2000. As of April 3, 2001, the bank reconciliations for fiscal year 2001 have been completed through December 31, 2000.

To improve cash management, the reliability of financial reporting and forecasting, and to reduce the possibility of misappropriation, bank reconciliations should be prepared monthly to ensure that accurate records are being kept. A hard copy should be initialed by the Treasurer.

Finding Number	2000-10818-004
----------------	----------------

We noted a lack of monitoring controls over budgetary compliance. During fiscal year 2000, we noted that the District's Board of Education did not begin receiving monthly financial statements until January 2000. In addition, numerous budgetary transactions were not approved or could not be located in the Board minutes.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

We recommend the District's Board periodically review information regarding revenues, expenditures, outstanding encumbrances, and monthly cash balances. This review should include the monthly reconciliation of all bank accounts and monthly budgetary reports comparing budgeted receipts and expenditures to actual results of operations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**JUNE 30, 2000
SCHEDULE OF FINDINGS
(Continued)**

STATUS OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
1999-10818-001	Ohio Revised Code Section 5705.14	Yes	
1999-10818-002	Ohio Revised Code Section 5705.39	No	Re-issued in 2000 report. District should eliminate in the future.
1999-10818-003	Ohio Revised Code Section 5705.41B	Yes	
1999-10818-004	Unsupported Entries	Yes	
1999-10818-005	Posting expenditures after year-end	Yes	
1999-10818-006	Timely Bank Reconciliations	No	Re-issued in 2000 report. District should eliminate in the future.
1999-10818-007	Maintenance of Adequate Supporting Documentation	Yes	



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CLEVELAND HEIGHTS - UNIVERSITY HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 15, 2001**