



**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
East Cleveland City School District
Cuyahoga County
15305 Terrace Road
East Cleveland, Ohio 44112

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

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

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

As described in Note 3 to the general purpose financial statements, during fiscal year 1999 the District changed the accounting of its food service fund and school facilities loan fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

February 12, 2001

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East Cleveland City School District
Cuyahoga County
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

| | Governmental Fund Types | | | |
|--|-------------------------|--------------------|--------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <i>Assets and Other Debits</i> | | | | |
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$7,994,103 | \$2,847,939 | \$1,088,923 | \$11,825,996 |
| Receivables: | | | | |
| Taxes | 11,108,530 | 0 | 752,567 | 104,496 |
| Accounts | 3,492 | 0 | 0 | 0 |
| Intergovernmental | 0 | 338,631 | 0 | 0 |
| Interfund Receivable | 468,572 | 0 | 0 | 0 |
| Inventory Held for Resale | 0 | 10,890 | 0 | 0 |
| Materials and Supplies | | | | |
| Inventory | 0 | 3,645 | 0 | 0 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 750,982 | 0 | 0 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 | 0 |
| Other Debits | | | | |
| Amount Available in Debt Service Fund for Retirement of General Obligation Bonds | 0 | 0 | 0 | 0 |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 |
| <i>Total Assets and Other Debits</i> | \$20,325,679 | \$3,201,105 | \$1,841,490 | \$11,930,492 |

See accompanying notes to the general purpose financial statements

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$229,470 | \$55,855 | \$0 | \$0 | \$24,042,286 |
| 0 | 0 | 0 | 0 | 11,965,593 |
| 0 | 0 | 0 | 0 | 3,492 |
| 0 | 0 | 0 | 0 | 338,631 |
| 0 | 0 | 0 | 0 | 468,572 |
| 0 | 0 | 0 | 0 | 10,890 |
| 0 | 0 | 0 | 0 | 3,645 |
| 0 | 0 | 0 | 0 | 750,982 |
| 1,236 | 0 | 30,484,779 | 0 | 30,486,015 |
| 0 | 0 | 0 | 1,246,945 | 1,246,945 |
| 0 | 0 | 0 | 10,790,914 | 10,790,914 |
| <u>\$230,706</u> | <u>\$55,855</u> | <u>\$30,484,779</u> | <u>\$12,037,859</u> | <u>\$80,107,965</u> |

East Cleveland City School District
Cuyahoga County
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

| | Governmental Fund Types | | | |
|---|----------------------------|---------------------------|---------------------------|----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Liabilities, Fund Equity and Other Credits | | | | |
| Liabilities | | | | |
| Accounts Payable | \$78,951 | \$24,199 | \$0 | \$0 |
| Accrued Wages and Benefits | 3,207,867 | 401,897 | 0 | 0 |
| Compensated Absences Payable | 88,951 | 3,058 | 0 | 0 |
| Interfund Payable | 0 | 463,572 | 0 | 0 |
| Intergovernmental Payable | 1,579,992 | 116,830 | 0 | 0 |
| Deferred Revenue | 9,162,135 | 0 | 594,545 | 82,670 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| <i>Total Liabilities</i> | <u>14,117,896</u> | <u>1,009,556</u> | <u>594,545</u> | <u>82,670</u> |
| Fund Equity and Other Credits | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balance | | | | |
| Reserved for Encumbrances | 494,163 | 329,450 | 0 | 0 |
| Reserved for Inventory | 0 | 3,645 | 0 | 0 |
| Reserved for Property Taxes | 1,790,442 | 0 | 151,634 | 20,944 |
| Reserved for Budget Stabilization | 750,982 | 0 | 0 | 0 |
| Unreserved, Undesignated | 3,172,196 | 1,858,454 | 1,095,311 | 11,826,878 |
| <i>Total Fund Equity and Other Credits</i> | <u>6,207,783</u> | <u>2,191,549</u> | <u>1,246,945</u> | <u>11,847,822</u> |
| <i>Total Liabilities, Fund Equity and Other Credits</i> | <u><u>\$20,325,679</u></u> | <u><u>\$3,201,105</u></u> | <u><u>\$1,841,490</u></u> | <u><u>\$11,930,492</u></u> |

See accompanying notes to the general purpose financial statements

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$781 | \$0 | \$0 | \$0 | \$103,931 |
| 0 | 0 | 0 | 0 | 3,609,764 |
| 0 | 0 | 0 | 1,134,122 | 1,226,131 |
| 5,000 | 0 | 0 | 0 | 468,572 |
| 701 | 0 | 0 | 343,737 | 2,041,260 |
| 0 | 0 | 0 | 0 | 9,839,350 |
| 0 | 0 | 0 | 10,560,000 | 10,560,000 |
| 6,482 | 0 | 0 | 12,037,859 | 27,849,008 |
| 0 | 0 | 30,484,779 | 0 | 30,484,779 |
| 224,224 | 0 | 0 | 0 | 224,224 |
| 0 | 0 | 0 | 0 | 823,613 |
| 0 | 0 | 0 | 0 | 3,645 |
| 0 | 0 | 0 | 0 | 1,963,020 |
| 0 | 0 | 0 | 0 | 750,982 |
| 0 | 55,855 | 0 | 0 | 18,008,694 |
| 224,224 | 55,855 | 30,484,779 | 0 | 52,258,957 |
| <u>\$230,706</u> | <u>\$55,855</u> | <u>\$30,484,779</u> | <u>\$12,037,859</u> | <u>\$80,107,965</u> |

East Cleveland City School District
Cuyahoga County
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

| | Governmental Fund Types | | |
|--|-------------------------|--------------------|--------------------|
| | General | Special Revenue | Debt Service |
| Revenues | | | |
| Property Taxes | \$11,611,536 | \$0 | \$689,995 |
| Intergovernmental | 32,272,188 | 10,183,095 | 123,029 |
| Interest | 938,893 | 0 | 0 |
| Tuition and Fees | 32,352 | 63 | 0 |
| Extracurricular Activities | 0 | 97,391 | 0 |
| Rent | 15,335 | 0 | 0 |
| Charges for Services | 0 | 7,500 | 0 |
| Donations | 50 | 174,013 | 0 |
| Miscellaneous | 83,205 | 271,943 | 0 |
| <i>Total Revenues</i> | <u>44,953,559</u> | <u>10,734,005</u> | <u>813,024</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 19,977,831 | 1,556,808 | 0 |
| Special | 3,028,213 | 1,779,871 | 0 |
| Vocational | 1,641,322 | 232,980 | 0 |
| Adult/Continuing | 0 | 90,278 | 0 |
| Other | 519,116 | 0 | 0 |
| Support Services: | | | |
| Pupils | 1,747,637 | 828,571 | 0 |
| Instructional Staff | 2,514,276 | 1,326,260 | 0 |
| Board of Education | 378,047 | 514 | 0 |
| Administration | 4,588,906 | 414,939 | 0 |
| Fiscal | 1,297,245 | 0 | 0 |
| Business | 321,553 | 0 | 0 |
| Operation and Maintenance of Plant | 6,032,746 | 561,953 | 0 |
| Pupil Transportation | 1,381,386 | 11,761 | 0 |
| Central | 2,289,007 | 51,195 | 0 |
| Operation of Non-Instructional Services | 58,603 | 2,401,488 | 0 |
| Extracurricular Activities | 350,857 | 183,324 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 380,000 |
| Interest and Fiscal Charges | 0 | 0 | 13,785 |
| <i>Total Expenditures</i> | <u>46,126,745</u> | <u>9,439,942</u> | <u>393,785</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(1,173,186)</u> | <u>1,294,063</u> | <u>419,239</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds of Bonds | 0 | 0 | 0 |
| Operating Transfers In | 200,000 | 763,419 | 0 |
| Operating Transfers Out | (1,151,719) | (200,000) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(951,719)</u> | <u>563,419</u> | <u>0</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | <u>(2,124,905)</u> | <u>1,857,482</u> | <u>419,239</u> |
| <i>Fund Balances Beginning of Year (Restated - Note 3)</i> | 8,332,688 | 333,021 | 827,706 |
| Increase in Reserve for Inventory | 0 | 1,046 | 0 |
| <i>Fund Balances End of Year</i> | <u>\$6,207,783</u> | <u>\$2,191,549</u> | <u>\$1,246,945</u> |

See accompanying notes to the general purpose financial statements

| Capital Projects | Fiduciary Fund Type Expendable Trust | Totals (Memorandum Only) |
|---------------------|---|--------------------------------|
| \$104,913 | \$0 | \$12,406,444 |
| 2,654,476 | 0 | 45,232,788 |
| 286,229 | 0 | 1,225,122 |
| 0 | 0 | 32,415 |
| 0 | 0 | 97,391 |
| 0 | 0 | 15,335 |
| 0 | 0 | 7,500 |
| 0 | 20,979 | 195,042 |
| 0 | 300 | 355,448 |
| 3,045,618 | 21,279 | 59,567,485 |
| 0 | 0 | 21,534,639 |
| 0 | 0 | 4,808,084 |
| 0 | 0 | 1,874,302 |
| 0 | 0 | 90,278 |
| 0 | 0 | 519,116 |
| 0 | 0 | 2,576,208 |
| 0 | 254 | 3,840,790 |
| 0 | 0 | 378,561 |
| 0 | 0 | 5,003,845 |
| 0 | 0 | 1,297,245 |
| 0 | 0 | 321,553 |
| 0 | 0 | 6,594,699 |
| 0 | 0 | 1,393,147 |
| 0 | 0 | 2,340,202 |
| 0 | 0 | 2,460,091 |
| 0 | 0 | 534,181 |
| 2,312,779 | 0 | 2,312,779 |
| 0 | 0 | 380,000 |
| 204,000 | 0 | 217,785 |
| 2,516,779 | 254 | 58,477,505 |
| 528,839 | 21,025 | 1,089,980 |
| 10,560,000 | 0 | 10,560,000 |
| 0 | 0 | 963,419 |
| 0 | 0 | (1,351,719) |
| 10,560,000 | 0 | 10,171,700 |
| 11,088,839 | 21,025 | 11,261,680 |
| 758,983 | 34,830 | 10,287,228 |
| 0 | 0 | 1,046 |
| \$11,847,822 | \$55,855 | \$21,549,954 |

East Cleveland City School District
Cuyahoga County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

| | General Fund | | Variance Favorable (Unfavorable) |
|--|----------------------|--------------------|--|
| | Revised Budget | Actual | |
| Revenues | | | |
| Property Taxes | \$8,772,563 | \$10,814,690 | \$2,042,127 |
| Intergovernmental | 24,766,453 | 30,534,506 | 5,768,053 |
| Interest | 746,949 | 920,828 | 173,879 |
| Tuition and Fees | 26,243 | 32,351 | 6,108 |
| Extracurricular Activities | 0 | 0 | 0 |
| Rent | 12,439 | 15,335 | 2,896 |
| Charges for Services | 0 | 0 | 0 |
| Donations | 41 | 50 | 9 |
| Miscellaneous | 66,240 | 81,565 | 15,325 |
| <i>Total Revenues</i> | <u>34,390,928</u> | <u>42,399,325</u> | <u>8,008,397</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 21,479,848 | 20,968,166 | 511,682 |
| Special | 3,607,237 | 3,518,891 | 88,346 |
| Vocational | 1,843,049 | 1,767,683 | 75,366 |
| Adult/Continuing | 0 | 0 | 0 |
| Other | 1,570,821 | 1,028,764 | 542,057 |
| Support Services: | | | |
| Pupils | 1,774,740 | 1,730,254 | 44,486 |
| Instructional Staff | 2,306,151 | 2,230,360 | 75,791 |
| Board of Education | 307,476 | 273,964 | 33,512 |
| Administration | 4,442,083 | 4,328,451 | 113,632 |
| Fiscal | 1,222,075 | 1,147,490 | 74,585 |
| Business | 216,024 | 208,826 | 7,198 |
| Operation and Maintenance of Plant | 6,454,525 | 6,191,216 | 263,309 |
| Pupil Transportation | 1,315,564 | 1,305,059 | 10,505 |
| Central | 2,238,384 | 2,196,700 | 41,684 |
| Operation of Non-Instructional Services | 27,599 | 26,716 | 883 |
| Extracurricular Activities | 336,977 | 326,656 | 10,321 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>49,142,553</u> | <u>47,249,196</u> | <u>1,893,357</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(14,751,625)</u> | <u>(4,849,871)</u> | <u>9,901,754</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds of Bonds | 0 | 0 | 0 |
| Proceeds of Notes | 0 | 0 | 0 |
| Refund of Prior Year Receipts | (2) | 0 | 2 |
| Advances In | 401,970 | 495,638 | 93,668 |
| Advances Out | (704,101) | (681,600) | 22,501 |
| Operating Transfers In | 200,000 | 200,000 | 0 |
| Operating Transfers Out | (1,469,170) | (1,151,719) | 317,451 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,571,303)</u> | <u>(1,137,681)</u> | <u>433,622</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | <u>(16,322,928)</u> | <u>(5,987,552)</u> | <u>10,335,376</u> |
| <i>Fund Balances Beginning of Year</i> | 11,432,775 | 11,432,775 | 0 |
| Prior Year Encumbrances Appropriated | 862,858 | 862,858 | 0 |
| <i>Fund Balances (Deficit) End of Year</i> | <u>(\$4,027,295)</u> | <u>\$6,308,081</u> | <u>\$10,335,376</u> |

See accompanying notes to the general purpose financial statements

| Special Revenue Funds | | | Debt Service Fund | | |
|-----------------------|--------------------|----------------------------------|---------------------|---------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$882,810 | \$881,835 | (\$975) |
| 6,792,917 | 10,082,049 | 3,289,132 | 123,165 | 123,029 | (136) |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | 63 | 50 | 0 | 0 | 0 |
| 89,189 | 97,391 | 8,202 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 7,500 | 7,500 | 0 | 0 | 0 | 0 |
| 74,215 | 174,013 | 99,798 | 0 | 0 | 0 |
| 224,377 | 271,943 | 47,566 | 0 | 0 | 0 |
| <u>7,188,211</u> | <u>10,632,959</u> | <u>3,444,748</u> | <u>1,005,975</u> | <u>1,004,864</u> | <u>(1,111)</u> |
| 1,910,444 | 1,810,874 | 99,570 | 0 | 0 | 0 |
| 2,407,572 | 2,059,027 | 348,545 | 0 | 0 | 0 |
| 199,351 | 229,109 | (29,758) | 0 | 0 | 0 |
| 80,241 | 93,278 | (13,037) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 968,918 | 864,969 | 103,949 | 0 | 0 | 0 |
| 2,159,988 | 1,754,558 | 405,430 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 467,652 | 411,950 | 55,702 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 596,995 | 572,497 | 24,498 | 0 | 0 | 0 |
| 13,359 | 11,730 | 1,629 | 0 | 0 | 0 |
| 93,186 | 73,011 | 20,175 | 0 | 0 | 0 |
| 3,002,498 | 2,456,477 | 546,021 | 0 | 0 | 0 |
| 223,968 | 206,039 | 17,929 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 12,017,669 | 10,940,000 | 1,077,669 |
| 0 | 0 | 0 | 238,600 | 217,785 | 20,815 |
| <u>12,124,172</u> | <u>10,543,519</u> | <u>1,580,653</u> | <u>12,256,269</u> | <u>11,157,785</u> | <u>1,098,484</u> |
| <u>(4,935,961)</u> | <u>89,440</u> | <u>5,025,401</u> | <u>(11,250,294)</u> | <u>(10,152,921)</u> | <u>1,097,373</u> |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 427,422 | 676,600 | 249,178 | 0 | 0 | 0 |
| (385,184) | (495,638) | (110,454) | 0 | 0 | 0 |
| 813,881 | 1,079,608 | 265,727 | 10,571,677 | 10,560,000 | (11,677) |
| (584,524) | (516,189) | 68,335 | 0 | 0 | 0 |
| <u>271,595</u> | <u>744,381</u> | <u>472,786</u> | <u>10,571,677</u> | <u>10,560,000</u> | <u>(11,677)</u> |
| (4,664,366) | 833,821 | 5,498,187 | (678,617) | 407,079 | 1,085,696 |
| 1,278,634 | 1,278,634 | 0 | 681,844 | 681,844 | 0 |
| 403,446 | 403,446 | 0 | 0 | 0 | 0 |
| <u>(\$2,982,286)</u> | <u>\$2,515,901</u> | <u>\$5,498,187</u> | <u>\$3,227</u> | <u>\$1,088,923</u> | <u>\$1,085,696</u> |

(continued)

e accompanying notes to the general purpose financial statements

East Cleveland City School District
Cuyahoga County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 1999

| | Capital Projects Funds | | Variance Favorable (Unfavorable) |
|--|------------------------|---------------------|--|
| | Revised Budget | Actual | |
| Revenues | | | |
| Property Taxes | \$98,295 | \$96,543 | (\$1,752) |
| Intergovernmental | 2,398,116 | 2,450,476 | 52,360 |
| Interest | 291,424 | 286,229 | (5,195) |
| Tuition and Fees | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Rent | 0 | 0 | 0 |
| Charges for Services | 0 | 0 | 0 |
| Donations | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| <i>Total Revenues</i> | <u>2,787,835</u> | <u>2,833,248</u> | <u>45,413</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 543,942 | 543,942 | 0 |
| Special | 0 | 0 | 0 |
| Vocational | 0 | 0 | 0 |
| Adult/Continuing | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Support Services: | | | |
| Pupils | 0 | 0 | 0 |
| Instructional Staff | 1,772,975 | 1,436,317 | 336,658 |
| Board of Education | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 |
| Fiscal | 371,146 | 190,178 | 180,968 |
| Business | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 0 | 0 | 0 |
| Pupil Transportation | 0 | 0 | 0 |
| Central | 0 | 0 | 0 |
| Operation of Non-Instructional Services | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Capital Outlay | 1,850,190 | 948,052 | 902,138 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>4,538,253</u> | <u>3,118,489</u> | <u>1,419,764</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(1,750,418)</u> | <u>(285,241)</u> | <u>1,465,177</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds of Bonds | 10,560,000 | 10,560,000 | 0 |
| Proceeds of Notes | 10,943,304 | 10,560,000 | (383,304) |
| Refund of Prior Year Receipts | 0 | 0 | 0 |
| Advances In | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | (20,608,594) | (10,560,000) | 10,048,594 |
| <i>Total Other Financing Sources (Uses)</i> | <u>894,710</u> | <u>10,560,000</u> | <u>9,665,290</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | <u>(855,708)</u> | <u>10,274,759</u> | <u>11,130,467</u> |
| <i>Fund Balances Beginning of Year</i> | 181,599 | 181,599 | 0 |
| Prior Year Encumbrances Appropriated | <u>1,369,638</u> | <u>1,369,638</u> | <u>0</u> |
| <i>Fund Balances (Deficit) End of Year</i> | <u>\$695,529</u> | <u>\$11,825,996</u> | <u>\$11,130,467</u> |

See accompanying notes to the general purpose financial statements

| Expendable Trust Fund | | | Totals (Memorandum Only) | | |
|-----------------------|----------|----------------------------------|--------------------------|--------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$9,753,668 | \$11,793,068 | \$2,039,400 |
| 0 | 0 | 0 | 34,080,651 | 43,190,060 | 9,109,409 |
| 0 | 0 | 0 | 1,038,373 | 1,207,057 | 168,684 |
| 0 | 0 | 0 | 26,256 | 32,414 | 6,158 |
| 0 | 0 | 0 | 89,189 | 97,391 | 8,202 |
| 0 | 0 | 0 | 12,439 | 15,335 | 2,896 |
| 0 | 0 | 0 | 7,500 | 7,500 | 0 |
| 0 | 20,979 | 20,979 | 74,256 | 195,042 | 120,786 |
| 0 | 300 | 300 | 290,617 | 353,808 | 63,191 |
| 0 | 21,279 | 21,279 | 45,372,949 | 56,891,675 | 11,518,726 |
| 0 | 0 | 0 | 23,934,234 | 23,322,982 | 611,252 |
| 0 | 0 | 0 | 6,014,809 | 5,577,918 | 436,891 |
| 0 | 0 | 0 | 2,042,400 | 1,996,792 | 45,608 |
| 0 | 0 | 0 | 80,241 | 93,278 | (13,037) |
| 0 | 0 | 0 | 1,570,821 | 1,028,764 | 542,057 |
| 0 | 0 | 0 | 2,743,658 | 2,595,223 | 148,435 |
| 52,114 | 254 | 51,860 | 6,291,228 | 5,421,489 | 869,739 |
| 0 | 0 | 0 | 307,476 | 273,964 | 33,512 |
| 0 | 0 | 0 | 4,909,735 | 4,740,401 | 169,334 |
| 0 | 0 | 0 | 1,593,221 | 1,337,668 | 255,553 |
| 0 | 0 | 0 | 216,024 | 208,826 | 7,198 |
| 0 | 0 | 0 | 7,051,520 | 6,763,713 | 287,807 |
| 0 | 0 | 0 | 1,328,923 | 1,316,789 | 12,134 |
| 0 | 0 | 0 | 2,331,570 | 2,269,711 | 61,859 |
| 0 | 0 | 0 | 3,030,097 | 2,483,193 | 546,904 |
| 0 | 0 | 0 | 560,945 | 532,695 | 28,250 |
| 0 | 0 | 0 | 1,850,190 | 948,052 | 902,138 |
| 0 | 0 | 0 | 12,017,669 | 10,940,000 | 1,077,669 |
| 0 | 0 | 0 | 238,600 | 217,785 | 20,815 |
| 52,114 | 254 | 51,860 | 78,113,361 | 72,069,243 | 6,044,118 |
| (52,114) | 21,025 | 73,139 | (32,740,412) | (15,177,568) | 17,562,844 |
| 0 | 0 | 0 | 10,560,000 | 10,560,000 | 0 |
| 0 | 0 | 0 | 10,943,304 | 10,560,000 | (383,304) |
| 0 | 0 | 0 | (2) | 0 | 2 |
| 0 | 0 | 0 | 829,392 | 1,172,238 | 342,846 |
| 0 | 0 | 0 | (1,089,285) | (1,177,238) | (87,953) |
| 0 | 0 | 0 | 11,585,558 | 11,839,608 | 254,050 |
| 0 | 0 | 0 | (22,662,288) | (12,227,908) | 10,434,380 |
| 0 | 0 | 0 | 10,166,679 | 20,726,700 | 10,560,021 |
| (52,114) | 21,025 | 73,139 | (22,573,733) | 5,549,132 | 28,122,865 |
| 32,066 | 32,066 | 0 | 13,606,918 | 13,606,918 | 0 |
| 2,764 | 2,764 | 0 | 2,638,706 | 2,638,706 | 0 |
| (\$17,284) | \$55,855 | \$73,139 | (\$6,328,109) | \$21,794,756 | \$28,122,865 |

East Cleveland City School District
Cuyahoga County
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity*
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

| | <u>Enterprise</u> |
|--|-------------------|
| Operating Revenues | |
| Tuition and Fees | \$29,652 |
| Sales | 18,155 |
| Charges for Services | 4,294 |
| <i>Total Operating Revenues</i> | <u>52,101</u> |
| Operating Expenses | |
| Salaries and Wages | 59,919 |
| Fringe Benefits | 6,114 |
| Purchased Services | 10,378 |
| Materials and Supplies | 200,106 |
| Depreciation | 498 |
| Other Operating Expenses | 387 |
| <i>Total Operating Expenses</i> | <u>277,402</u> |
| <i>Operating Loss</i> | <u>(225,301)</u> |
| Non-Operating Revenues | |
| Operating Grants | 4,200 |
| <i>Loss before Operating Transfers</i> | (221,101) |
| Operating Transfers In | 388,300 |
| <i>Net Income</i> | 167,199 |
| <i>Retained Earnings</i> | |
| <i>Beginning of Year (Restated - Note 3)</i> | 57,025 |
| <i>Total Fund Equity End of Year</i> | <u>\$224,224</u> |

See accompanying notes to the general purpose financial statements

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

| | Enterprise Funds | | |
|--|-------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Sales | \$355,300 | \$22,449 | (\$332,851) |
| Tuition and Fees | 33,239 | 29,652 | (3,587) |
| Operating Grants Received | 4,708 | 4,200 | (508) |
| <i>Total Revenues</i> | <u>393,247</u> | <u>56,301</u> | <u>(336,946)</u> |
| Expenses | | | |
| Salaries and Wages | 58,638 | 59,918 | (1,280) |
| Fringe Benefits | 6,996 | 7,210 | (214) |
| Purchased Services | 11,053 | 11,728 | (675) |
| Materials and Supplies | 422,850 | 203,143 | 219,707 |
| Other | 850 | 387 | 463 |
| <i>Total Expenses</i> | <u>500,387</u> | <u>282,386</u> | <u>218,001</u> |
| <i>Excess of Revenues Under Expenses</i> | (107,140) | (226,085) | (118,945) |
| Advance In | 5,605 | 5,000 | (605) |
| Operating Transfers In | 426,234 | 388,300 | (37,934) |
| <i>Excess of Revenues and Operating Transfers Under Expenses</i> | 324,699 | 167,215 | (157,484) |
| <i>Fund Equity Beginning of Year</i> | 53,711 | 53,711 | 0 |
| Prior Year Encumbrances Appropriated | 3,814 | 3,814 | 0 |
| <i>Fund Equity End of Year</i> | <u>\$382,224</u> | <u>\$224,740</u> | <u>(\$157,484)</u> |

See accompanying notes to the general purpose financial statements

East Cleveland City School District
Cuyahoga County
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

| | <u>Enterprise</u> |
|---|---------------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | |
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$22,449 |
| Cash Received from Tuition Payments | 29,652 |
| Cash Payments to Suppliers for Goods and Services | (210,589) |
| Cash Payments to Employees for Services | (59,918) |
| Cash Payments for Employee Benefits | (7,149) |
| | <u>(7,149)</u> |
| <i>Net Cash Used for Operating Activities</i> | <u>(225,555)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Operating Grants Received | 4,200 |
| Operating Transfers In | 388,300 |
| Advance In | 5,000 |
| | <u>5,000</u> |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | <u>397,500</u> |
| <i>Net Increase in Cash and Cash Equivalents</i> | 171,945 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>57,525</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$229,470</u></u> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities | |
| <i>Operating Loss</i> | <u>(\$225,301)</u> |
| Adjustments: | |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 125 |
| Intergovernmental Payable | (379) |
| | <u>(379)</u> |
| <i>Total Adjustments</i> | <u>(254)</u> |
| <i>Net Cash Used for Operating Activities</i> | <u><u>(\$225,555)</u></u> |

See accompanying notes to the general purpose financial statements

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of the School District and Reporting Entity

Although the first public school in East Cleveland was established by the township in 1846, the will of John Shaw in 1835 provided for the establishment of a private academy in East Cleveland Township. In 1870, the Board of Education of East Cleveland Township assumed management of the academy and in 1883, the Board and the Shaw Trustees agreed on the Board's long-range operation of the school.

The East Cleveland City School District (School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 259 classified employees, 437 certificated full-time teaching personnel, and 42 administrators who provide services to 6,717 students and other community members.

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 are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For East Cleveland City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Currently, the School District does not have any component units.

The School District is associated with a related organization, a jointly governed organization and an insurance purchasing pool. These organizations are the East Cleveland Public Library, Ohio Schools Council Association and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 18, 19, and 20 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

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

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation 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 School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - 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 or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term 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 School District, other than those accounted for in the proprietary funds.

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund 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.

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 School District is sixty days after fiscal year end.

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

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

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

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

C. Budgetary Data

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

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

Tax Budget:

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

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

Estimated Resources:

By 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 School 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 School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 1999.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund 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, except for agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at 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 fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to Victory Federal Money Market and STAR Ohio, the State Treasurer's Investment Pool and federal government agency securities. All investments of the School District had a maturity of two years or less. Investments are reported at fair value which is based on quoted market prices.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District has invested funds in the State Treasury Assets Reserve (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$938,893, which includes \$432,125 assigned from other School 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 three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the creation of a reserve for budget stabilization. See Note 23 for additional information regarding set-asides.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

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

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

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

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Special Revenue Fund

- Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

- Adult Basic Education
- Auxiliary Services
- Title VIB
- Professional Development
- Goals 2000
- Title I
- Title VI
- Educational Management Information System
- Disadvantaged Vocational Education
- Drug Free Schools
- Public Preschool
- Adult Education
- Community Education

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities
- School Breakfast Program
- Summer Food Service Program for Children

Grants and entitlements amounted to seventy-four percent of the School District's governmental funds operating revenue during the 1999 fiscal year.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

J. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and interfund payables." Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School 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 account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. 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, 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 available expendable financial resources. 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.

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

M. 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.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, 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.

O. Total Columns on General Purpose Financial 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 data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. 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.

Note 3 - Restatement of Fund Equity

For the fiscal year ended June 30, 1998, the food service fund was reclassified as a special revenue fund and the school facilities loan fund was reclassified as a capital projects fund. The following restatements resulted from these reclassifications:

| | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Enterprise</u> |
|--|----------------------------|-------------------------|-----------------------------|-------------------|
| Fund Balance/Retained Earnings as Previously Reported | \$194,374 | \$886,766 | \$699,923 | \$231,938 |
| Reclassification of food service fund | 138,647 | 0 | 0 | (174,913) |
| Reclassification of school facilities fund | <u>0</u> | <u>(59,060)</u> | <u>59,060</u> | <u>0</u> |
| Restated Fund Balance/ Retained Earnings as of July 1, 1999 | <u>\$333,021</u> | <u>\$827,706</u> | <u>\$758,983</u> | <u>\$57,025</u> |

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The effects of these changes on the excess of revenues and other financing sources over expenditures and other financing uses as previously reported for the year ended June 30, 1998, is as follows:

| | Special Revenue | Enterprise |
|--|--------------------|------------|
| Excess as Previously Reported | (\$1,124,914) | \$207,699 |
| Reclassification of Food Service Fund | 138,647 | (138,647) |
| Restated Excess for the fiscal year ended June 30, 1999 | (\$986,267) | \$69,052 |

Due to the reclassification of the food service fund, the balance in the general fixed assets account group at June 30, 1998 increased from \$27,078,471 to \$27,114,737.

Note 4 - Accountability and Compliance

A. Accountability

Fund Balances at June 30, 1999, included the following individual fund balance deficits:

| Special Revenue Funds: | |
|-----------------------------|--------|
| Gifted Education | \$9 |
| Career Development | 3,125 |
| Drug Free Grant | 5,420 |
| Adult Basic Education | 22,423 |
| Job Training Partnership | 45,164 |
| District Managed Activities | 51,076 |

These 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.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

A. Compliance

Contrary to Section 5705.39, Ohio Revised Code, the following funds had appropriations in excess of estimated revenues and carryover balances:

| Fund | Estimated Revenue Plus Carryover Balances | Appropriations | Excess |
|------------------------------------|---|----------------|---------------|
| General Fund | \$46,425,673 | \$50,452,968 | (\$4,027,295) |
| Special Revenue Funds | | | |
| Food Service | 2,348,223 | 2,739,146 | (390,923) |
| Other Grants | 89,094 | 289,776 | (200,682) |
| Venture Capital | 113,329 | 119,629 | (6,300) |
| Consumer Economic Education | 9,375 | 13,575 | (4,200) |
| Career Development | 24,779 | 28,876 | (4,097) |
| Public School Preschool | 63,142 | 141,592 | (78,450) |
| Fund Equity Distribution | 443,043 | 1,031,493 | (588,450) |
| Adult Basic Education | 78,680 | 103,182 | (24,502) |
| Disadvantaged Vocational Education | 151,138 | 208,898 | (57,760) |
| Title I | 1,770,852 | 3,322,782 | (1,551,930) |
| Title VI | 85,149 | 94,203 | (9,054) |
| Drug Free Schools | 71,438 | 118,439 | (47,001) |
| Goals 2000 | 149,455 | 448,577 | (299,122) |
| Capital Project Funds | | | |
| SchoolNet Plus | 829,686 | 832,686 | (3,000) |
| Technology Equity | 34,276 | 163,316 | (129,040) |
| Expendable Trust Fund | | | |
| Special Trust | \$32,066 | \$49,350 | (\$17,284) |
| Enterprise Fund | | | |
| Consumer Services | 6,629 | 9,240 | (2,611) |

Note 5 - Budgetary Basis of Accounting

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

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

1. Revenues are recorded when received in cash (budget 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 disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

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

| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust |
|-----------------------------|----------------------|--------------------|------------------|---------------------|---------------------|
| GAAP Basis | (\$2,124,905) | \$1,857,482 | \$419,239 | \$11,088,839 | \$21,025 |
| Net Adjustment for | | | | | |
| Revenue Accruals | (2,554,234) | (101,046) | 191,840 | (212,370) | 0 |
| Advance In | 495,638 | 676,600 | 0 | 0 | 0 |
| Proceeds of Notes | 0 | 0 | 0 | 10,560,000 | 0 |
| Debt Transfers | 0 | 0 | 10,560,000 | (10,560,000) | 0 |
| Net Adjustment for | | | | | |
| Expenditure Accruals | (549,336) | (718,847) | 0 | (805,710) | 0 |
| Principal Retirement | | | (10,560,000) | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | (204,000) | 204,000 | 0 |
| Advance Out | (681,600) | (495,638) | 0 | 0 | 0 |
| Encumbrances | (573,115) | (384,730) | 0 | 0 | 0 |
| Budget Basis | <u>(\$5,987,552)</u> | <u>\$833,821</u> | <u>\$407,079</u> | <u>\$10,274,759</u> | <u>\$21,025</u> |

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Net Income/Excess of Revenues and
Operating Transfers Over Expenses
Proprietary Fund Type

| | Enterprise |
|---------------------|------------|
| GAAP Basis | \$167,199 |
| Advance In | 5,000 |
| Net Adjustments for | |
| Expense Accruals | (254) |
| Encumbrances | (4,730) |
| | \$167,215 |
| Budget Basis | |

Note 6 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or 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 credit risk as defined in GASB No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$8,505,882 and the bank balance was \$687,549. \$180,017 of the bank balance was covered by federal depository insurance. \$507,532 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposits of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation

Investments GASB Statement 3 requires investments to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio and Victory Federal Money Market are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

| | Category 3 | Fair Value |
|----------------------------------|---------------|---------------------|
| Federal Home Loan Discount Notes | \$4,195,024 | \$4,195,024 |
| Victory Federal Money Market | | 5,329,489 |
| STAROhio | | 6,762,873 |
| <i>Total Investments</i> | | <i>\$16,287,386</i> |

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

| | Cash and Cash Equivalents/ Deposits | Investments |
|----------------------------------|---|--------------|
| GASB Statement No. 9 | \$24,793,268 | \$0 |
| Investments: | | |
| Federal Home Loan Discount Notes | (4,195,024) | 4,195,024 |
| Victory Federal Money Market | (5,329,489) | 5,329,489 |
| STAROhio | (6,762,873) | 6,762,873 |
| | \$8,505,882 | \$16,287,386 |
| GASB Statement No. 3 | | |

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half 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 property located in the school district. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five 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 thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1999, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

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

| | 1998 Second Half Collections | | 1999 First Half Collections | |
|--|---------------------------------|-----------------|--------------------------------|-----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/ Residential and Other Real Estate | \$180,119,860 | 82.47 % | \$188,617,510 | 84.32 % |
| Public Utility Personal | 22,009,570 | 10.08 | 21,033,640 | 9.40 |
| Tangible Personal Property | 16,272,650 | 7.45 | 14,038,590 | 6.28 |
| Total | \$218,402,080 | 100.00 % | \$223,689,740 | 100.00 % |
| Tax rate per \$1,000 of assessed valuation | \$92.50 | | \$94.30 | |

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. This year, the June 1999 tangible personal property tax settlement was not received until July 1999.

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

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes are available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$1,963,020 and is recognized as revenue. \$1,790,442 was available to the general fund, \$151,634 was available to the debt service fund and \$20,944 was available to the capital projects fund

Note 8 - Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

| Fund | Amounts |
|-----------------------------|-----------|
| Special Revenue Funds: | |
| Career Development | \$6,201 |
| Drug Free Grant | 10,000 |
| Project East/Goals | 60,506 |
| Food Service | 261,924 |
| Total Special Revenue Funds | \$338,631 |

Note 9 - Fixed Assets

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

| | |
|--------------------------------|-------------------|
| Furniture and Equipment | Totals \$4,980 |
| Less: Accumulated Depreciation | (3,744) |
| Net Fixed Assets | \$1,236 |

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

| | Balance June 30, 1998 | Additions | Deletions | Balance June 30, 1999 |
|-------------------------|--------------------------|-------------|-----------|--------------------------|
| Land and Improvements | \$498,111 | \$0 | \$0 | \$498,111 |
| Buildings | 20,268,415 | 0 | 0 | 20,268,415 |
| Furniture and Equipment | 5,753,915 | 3,370,042 | 0 | 9,123,957 |
| Vehicles | 594,296 | 0 | 0 | 594,296 |
| Total | \$27,114,737 | \$3,370,042 | \$0 | \$30,484,779 |

There was no significant construction in progress at June 30, 1999.

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Nationwide for property insurance of \$85,946,200, fleet insurance of \$1,000,000, and liability coverage of \$5,000,000 with a \$5,000 deductible.

Professional liability is protected by the Nationwide Insurance Company. General liability is protected with Nationwide Insurance Company with a \$7,000,000 annual aggregate/\$1,000,000 single occurrence limit and a \$5,000 deductible. The bus fleet is also covered by \$1,000,000 single occurrence limit with an additional \$2,000,000 umbrella policy through Nationwide Insurance Company.

Settled claims have not exceeded commercial coverage in any of the past three years. There was no significant reduction in coverage from last year.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. Worker's Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$504,349, \$621,561 and \$849,459, respectively; 48.01 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$262,214 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$1,543,258, \$2,552,886 and \$3,243,835, respectively; 82.80 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$265,378 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependants are eligible for health care coverage. The STRS Board has statutory authority over much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$2,057,678 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, the balance in the Fund was \$2,783 million. For the year ended June 30, 1999 net health care costs paid 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 twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$432,150.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999, 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.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and classified employees earn up to a maximum of four weeks of vacation per year, depending upon length of service. Vacation time is credited on the anniversary of the employee's hire date, however, it must be used within that one year period and does not accumulate. Accumulated unused vacation time is paid to administrators and classified employees upon retirement. They are not paid upon resignation or termination. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 250 days for certified employees and 260 days for classified employees.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance in the amount of \$30,000 for teachers and classified employees, \$15,000 for part-time employees, and one and one-half times their salaries for administrators. The insurance is provided through Medical Life Insurance Company. The School District also provides medical/surgical and dental benefits primarily through Medical Mutual to all eligible employees.

Note 14 - Contingencies

A. Grants

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

B. Litigation

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

Note 15 - Short-Term Obligations

The School District's bond anticipation note activity, including amount outstanding and interest rate, is as follows:

| | Outstanding 6/30/98 | Additions | Deletions | Outstanding 6/30/99 |
|------------------------------|------------------------|--------------|--------------|------------------------|
| Classroom Facilities | | | | |
| Capital Projects Fund | | | | |
| 1999 4.50% | | | | |
| School Improvement Note | \$0 | \$10,560,000 | \$10,560,000 | \$0 |
| | \$0 | \$10,560,000 | \$10,560,000 | \$0 |

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 16 - Long-Term Obligations

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

| | <u>Outstanding 6/30/98</u> | <u>Additions</u> | <u>Deductions</u> | <u>Outstanding 6/30/99</u> |
|--|--------------------------------|---------------------|-------------------|--------------------------------|
| General Obligation Bonds | | | | |
| School Improvements G.O. Bonds | | | | |
| 6.875% - due 12/1/98 | \$380,000 | \$0 | \$380,000 | \$0 |
| Classroom Facilities Bonds 1999 | 0 | 10,560,000 | 0 | 10,560,000 |
| <i>Total General Obligation Bonds</i> | 380,000 | 10,560,000 | 380,000 | 10,560,000 |
| | | | | |
| Compensated Absences | 629,295 | 251,636 | 0 | 880,931 |
| Pension Obligations | 588,322 | 343,737 | 588,322 | 343,737 |
| <i>Total General Long-Term Obligations</i> | <u>\$1,597,617</u> | <u>\$11,155,373</u> | <u>\$968,322</u> | <u>\$11,784,668</u> |

The general obligation bonds will be paid from the debt service fund. The pension obligation and compensated absences will be paid from the fund from which the employee is paid.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|---------------------|--------------------|---------------------|
| 2000 | \$360,000 | \$351,174 | \$711,174 |
| 2001 | 370,000 | 430,878 | 800,878 |
| 2002 | 380,000 | 418,668 | 798,668 |
| 2003 | 395,000 | 405,367 | 800,367 |
| 2004 | 410,000 | 391,148 | 801,148 |
| 2005-2009 | 2,295,000 | 1,707,533 | 4,002,533 |
| 2010-2014 | 1,720,000 | 2,275,784 | 3,995,784 |
| 2015-2019 | 3,145,000 | 858,000 | 4,003,000 |
| 2020-2024 | 1,485,000 | 112,250 | 1,597,250 |
| Total | <u>\$10,560,000</u> | <u>\$6,950,802</u> | <u>\$17,510,802</u> |

The School District's overall debt margin was \$20,132,077 with an unvoted debt margin of \$223,690 at June 30, 1999.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 17 - Interfund Transactions

Interfund balances at June 30, 1999 were as follows:

| Fund Type/Fund | Receivable | Payable |
|-----------------------------------|-------------------------|-------------------------|
| General Fund | \$468,572 | \$0 |
| Special Revenue Funds: | | |
| Food Services | 0 | 25,000 |
| Other Grant | 0 | 12,220 |
| District Managed Student Activity | 0 | 113,500 |
| Adult Education | 0 | 17,100 |
| Career Development | 0 | 11,000 |
| Fund Equity Distribution | 0 | 57,000 |
| JTPA | 0 | 60,602 |
| Disadvantaged Vocational | 0 | 25,000 |
| Title I | 0 | 100,000 |
| Drug Free Grant | 0 | 25,000 |
| Project East Goals 2000 | 0 | 17,150 |
| <i>Total Special Revenue</i> | <u>0</u> | <u>463,572</u> |
| Enterprise Fund: | | |
| Adult Education | <u>0</u> | <u>5,000</u> |
| Total All Funds | <u><u>\$468,572</u></u> | <u><u>\$468,572</u></u> |

Note 18 - Related Organization

The East Cleveland 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 East Cleveland City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve 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 19 - Public Entity Risk Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance pool, as established through Acordia under section 4123.29 of the Ohio Revised Code. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 20 - Jointly Governed Organization

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the School District paid \$800 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio, 44146.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1999. The electric purchase 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 purchase eight years of electricity from Cleveland Electric Illuminating Company (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 district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

Note 21 - Segment Information For Enterprise Funds

The School District maintains three enterprise funds to account for the operations of uniform school supplies, consumer services, and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

| | Uniform School Supplies | Consumer Services | Adult Education | Total Enterprise Funds |
|----------------------------------|-------------------------------|----------------------|--------------------|------------------------------|
| Operating Revenues | \$18,155 | \$4,294 | \$29,652 | \$52,101 |
| Depreciation | 0 | 0 | 498 | 498 |
| Operating Loss | (165,841) | (3,317) | (56,143) | (225,301) |
| Operating Grants | 0 | 0 | 4,200 | 4,200 |
| Operating Transfers In | 350,000 | 0 | 38,300 | 388,300 |
| Net Income (Loss) | 184,159 | (3,317) | (13,643) | 167,199 |
| Net Working Capital | 225,550 | 1,628 | (2,954) | 224,224 |
| Total Assets | 226,331 | 1,628 | 2,747 | 230,706 |
| Total Equity | 225,550 | 1,628 | (2,954) | 224,224 |
| Encumbrances at June 30, 1999 | 3,319 | 0 | 1,411 | 4,730 |

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 22 - 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 that system. Declared unconstitutional was State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the Cardinal Local School District received \$2,331,183 of school foundation support for its general fund.

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

Note 23 - Set Asides

The School 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 School District is also required to set aside money for budget stabilization.

The School District also receives monies from the State of Ohio which are restricted by state law for the purchase of school buses. This amount is shown as a reserve for bus purchases. The balance of this allocation at year-end is also reflected as a reservation of fund balance in the General Fund.

East Cleveland City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The following cash basis information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization. Disclosure of this information is required by State statute.

| | <u>Textbooks</u> | <u>Capital Improvement</u> | <u>Budget Reserve</u> |
|--|--------------------|--------------------------------|---------------------------|
| Set-aside balance carried forward July 1, 1998 | \$0 | \$0 | \$273,033 |
| Current year set-aside requirement | 629,329 | 629,329 | 477,949 |
| Qualifying expenditures | (1,248,111) | (772,945) | 0 |
| Totals | <u>(\$618,782)</u> | <u>(\$143,616)</u> | <u>\$750,982</u> |
| Cash Balance Carried Forward to Fiscal Year 1999 | <u>\$0</u> | <u>\$0</u> | <u>\$750,982</u> |

Although the School District had qualifying disbursements during the year that reduced the set-aside amounts to zero, these extra amounts may not be used to reduce the set-aside requirement of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

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**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| Federal Grantor / Pass-Through Grantor Program Title | Federal CFDA Number | Pass Through Entity Numbers | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|---------------------------|--------------------------------|------------------|----------------------|------------------|---------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Pass-Through Ohio Department of Education:</i> | | | | | | |
| Adult Education - State Grant Program | 84.002 | 43901 AB-S1 98 | \$24,502 | \$0 | \$41,621 | \$0 |
| | | 43901 AB-S1 99 | 0 | 0 | 16,548 | 0 |
| Subtotal CFDA 84.002 | | | 24,502 | 0 | 58,169 | 0 |
| Title 1 Grants to Local Educational Agencies | 84.010 | 43901 C1-S1 97C | 0 | 0 | 15,941 | 0 |
| | | 43901 C1-S1 98 | 500,000 | 0 | 699,901 | 0 |
| | | 43901 C1-S1 98C | 286,299 | 0 | 411,742 | 0 |
| | | 43901 C1-S1 99 | 2,032,024 | 0 | 1,353,227 | 0 |
| Subtotal CFDA 84.010 | | | 2,818,323 | 0 | 2,480,811 | 0 |
| Special Education Cluster: | | | | | | |
| Special Education - Grants to States | 84.027 | 43901 6B-SF 98 P | 36,198 | 0 | 46,891 | 0 |
| | | 43901 6B-PM 98 | 0 | 0 | 1,247 | 0 |
| | | 43901 6B-PM 99 | 7,500 | 0 | 0 | 0 |
| | | 43901 6B-SF 99 P | 83,385 | 0 | 5,761 | 0 |
| Subtotal CFDA 84.027 | | | 127,083 | 0 | 53,899 | 0 |
| Special Education - Preschool Grants | 84.173 | 43901 PG-S1 98 | 24,336 | 0 | 24,336 | 0 |
| Total Special Education Cluster | | | 151,419 | 0 | 78,235 | 0 |
| Vocational Education - Basic Grants to States | 84.048 | 43901 20-C1 98 | 27,181 | 0 | 63,430 | 0 |
| | | 43901 20-C1 99 | 159,158 | 0 | 165,381 | 0 |
| Subtotal CFDA 84.048 | | | 186,339 | 0 | 228,811 | 0 |
| Safe & Drug Free Schools and Communities | 84.186 | 43901 DR-S1 97 | 0 | 0 | 41,098 | 0 |
| | | 43901 DR-S1 98 | 27,000 | 0 | 27,866 | 0 |
| | | 43901 DR-S1 99 | 24,657 | 0 | 35,313 | 0 |
| Subtotal CFDA 84.186 | | | 51,657 | 0 | 104,277 | 0 |
| Goals 2000 | 84.276 | 43901 G2-S1 97 C | 31,850 | 0 | 0 | 0 |
| | | 43901 G2-S1 98 P | 57,300 | 0 | 5,782 | 0 |
| Subtotal CFDA 84.276 | | | 89,150 | 0 | 5,782 | 0 |
| Eisenhower Professional Development State Grants | 84.281 | 43901 MS-S1 97 C | 0 | 0 | 40,505 | 0 |
| | | 43901 MS-S1 98 C | 38,696 | 0 | 4,747 | 0 |
| | | 43901 MS-S1 99 | 16,760 | 0 | 13,205 | 0 |
| Subtotal CFDA 84.281 | | | 55,456 | 0 | 58,457 | 0 |
| 21st Century Community Learning Center Program | 84.287 | S287B000254 | 194,583 | 0 | 106,847 | 0 |
| Innovative Education Program Strategy | 84.298 | 43901 C2-S1 98 | 51,000 | 0 | 4,396 | 0 |
| | | 43901 C2-S1 98 C | 9,053 | 0 | 15,507 | 0 |
| | | 43901 C2-S1 99 | 22,817 | 0 | 14,099 | 0 |
| Subtotal CFDA 84.298 | | | 82,870 | 0 | 34,002 | 0 |
| Total U.S. Department of Education | | | 3,654,299 | 0 | 3,155,391 | 0 |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Pass-Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution | 10.550 | N/A | 0 | 62,381 | 0 | 60,507 |
| School Breakfast Program | 10.553 | 04390105PU0098 | 74,858 | 0 | 74,858 | 0 |
| School Breakfast Program | | 04390105PU0099 | 185,205 | 0 | 185,205 | 0 |
| Subtotal CFDA 10.553 | | | 260,063 | 0 | 260,063 | 0 |
| National School Lunch Program | 10.555 | 03 PU 98/04PU 99 | 1,200,242 | 0 | 1,200,242 | 0 |
| Summer Food Service Program for Children | 10.559 | N/A | 6,976 | 0 | 26,103 | 0 |
| Total U.S. Dept. of Agriculture - Nutrition Cluster | | | 1,467,281 | 62,381 | 1,486,408 | 60,507 |

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

EAST CLEVELAND CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

| Federal Grantor / Pass-Through Grantor Program Title | Federal CFDA Number | Pass Through Entity Numbers | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|---------------------------|---|--------------------|----------------------|--------------------|---------------------------|
| <u>U.S. DEPARTMENT OF DEFENSE</u> | | | | | | |
| <i>Direct Assistance:</i> | | | | | | |
| Junior ROTC | 12.000 | n/a | \$16,595 | \$0 | \$16,595 | \$0 |
| <u>U.S. DEPARTMENT OF LABOR</u> | | | | | | |
| <i>Pass-Through the Cuyahoga County Dept. of Entitlement/Employment Services</i> | | | | | | |
| Employment & Training Assist.- Dislocated Workers | 17.246 | SYETP & CY 97 | 0 | 0 | 541 | 0 |
| | | SYETP & CY 98 | 67,415 | 0 | 67,415 | 0 |
| | | SYETP & CY 99 | 0 | 0 | 491 | 0 |
| Subtotal CFDA 17.246 | | | 67,415 | 0 | 68,447 | 0 |
| <i>Pass-Through the Ohio Department of Education:</i> | | | | | | |
| Employment Services & Job Training Pilot | 17.249 | STW1999FED-9908-03 43901 WK-BE 00 98 | 0 | 0 | 19,701 | 0 |
| | | | 2,000 | 0 | 0 | 0 |
| Subtotal CFDA 17.249 | | | 2,000 | 0 | 19,701 | 0 |
| Total U.S. Department of Labor | | | 69,415 | 0 | 88,148 | 0 |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | | | |
| <i>Pass-Through Ohio Hunger Task Force:</i> | | | | | | |
| Child Care & Development Block Grant | 93.575 | n/a | 215,136 | 0 | 215,136 | 0 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | \$5,422,726 | \$62,381 | \$4,961,678 | \$60,507 |

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

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

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

NOTE C - NATIONAL SCHOOL LUNCH AND SPECIAL MILK PROGRAMS

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

N/A - Not applicable

CFDA - Catalog of Federal Domestic Assistance

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
East Cleveland City School District
Cuyahoga County
15305 Terrace Road
East Cleveland, Ohio 44112

We have audited the financial statements of the East Cleveland City School District, Cuyahoga County, Ohio, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated February 12, 2001, in which report we noted the District changed the accounting of its food service fund and school facilities loan 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 1999-10818-001. We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 12, 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 operations 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. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 1999-10818-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We considered the reportable condition described above, item 1999-10818-002, to be 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 February 12, 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

February 12, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Board of Education
East Cleveland City School District
Cuyahoga County
15305 Terrace Road
East Cleveland, Ohio 44112

Compliance

We have audited the compliance of the East Cleveland 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 is applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 1999-10818-003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 12, 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

February 12, 2001

EAST CLEVELAND CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| | | |
|-------------------------------------|--|--|
| SUMMARY OF AUDITOR'S RESULTS | | |
|-------------------------------------|--|--|

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | Yes |
| (d)(1)(vii) | Major Programs (list): | Nutrition Cluster: CFDA #s 10.550 - Food Distribution 10.553 - School Breakfast Program 10.555 - National School Lunch Program 10.559 - Summer Food Service Program for Children |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

**EAST CLEVELAND CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| |
|-------------------------------------|
| SUMMARY OF AUDITOR'S RESULTS |
|-------------------------------------|

(Continued)

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

| | |
|-----------------------|----------------|
| Finding Number | 1999-10818-001 |
|-----------------------|----------------|

Ohio Rev. Code § 5705.39, prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As described in note 4 to the general purpose financial statements, several funds had appropriations in excess of the total estimated resources as certified by the county auditor. The District had sufficient revenues to obtain an amended certificate of estimated resources from the county auditor up to the level of appropriation but did not.

We recommend the District monitor the budgetary reports monthly to ensure their appropriation measures do not exceed total estimated resources.

| | |
|-----------------------|----------------|
| Finding Number | 1999-10818-002 |
|-----------------------|----------------|

Cash balances include cash in bank accounts and other imprest accounts such as payroll. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, most entities perform a monthly bank reconciliation. This reconciliation verifies the cash balance reported in the general ledger agrees to the adjusted balance per the bank statement.

A review of the cash cycle disclosed the District's general bank account was not reconciled to the general ledger during fiscal year 1999. As a result, the District retained the services of the Auditor of State's - Local Government Services division to reconcile the account. The results disclosed the general ledger was understated by \$1,813,197. This amount consisted of unbooked revenues of \$1,845,824 from intergovernmental revenues, \$18,065 from interest earnings, and \$2,000 from various miscellaneous deposits. Also identified was an adjustment for (\$52,692) from revenue that was double posted. The financial statements reflect correcting adjustments.

The District utilizes a payroll clearing account to segregate payroll activity. Ideally, this account should zero out on a regular basis as payroll checks are cashed. However, the District has not reconciled their payroll clearing account for the last several years. As a result, the propriety of the monthly fund balance cannot be determined. We considered this matter in forming our opinion on the financial statements.

We recommend the general and payroll bank accounts be reconciled on a monthly basis. Furthermore, each month the reconciliation should be reviewed and approved by the Treasurer.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| |
|-------------------------------------|
| SUMMARY OF AUDITOR'S RESULTS |
|-------------------------------------|

(Continued)

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

| | |
|-----------------------------|---|
| Finding Number | 1999-10818-003 |
| CFDA Title and Number | Title 1 - Education Consolidation Improvement Act, CFDA# 84.010 |
| Federal Award Number / Year | C1-S1 99 |
| Federal Agency | Department of Education |
| Pass-Trough Agency | Ohio Department of Education |

Federal Indirect Cost Plan

Office of Management and Budget Circular A-87 requires that costs must be net of all applicable credits that result from transactions that reduce or offset indirect costs. The Ohio Department of Education (ODE) prescribes the methods to be used in the calculation of the indirect cost reimbursement in their 1999 Indirect Cost Recovery Plan for Ohio Schools. The method prescribed in the "Calculation of Indirect Cost Reimbursement" section states that you must "...subtract unallowables and exclusions in order to determine the net direct and indirect costs." The ODE identifies unallowables and exclusions as capital expenditures, personal service contracts, flow through funds, food purchases and prior indirect cost recovery. When calculating their indirect cost reimbursement for the 1999 program year, the District did not subtract the capital expenditures and food purchases from the total direct cost as required. As a result, the indirect cost reimbursement was overstated by \$25,094. This amount was determined based on the following:

| | |
|-----------------|--|
| \$68,665 | Indirect cost reimbursement claimed and received by the District. |
| <u>43,571</u> | Recalculated amount when properly subtracting unallowables and exclusions. |
| <u>\$25,094</u> | Overstated |

We recommend the District follow the guidelines established by the ODE when calculating the indirect cost reimbursement. This would include subtraction of unallowables and exclusions from the total direct cost.

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CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (B)

| Finding Number | Finding Summary | Fully Corrected | Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain |
|----------------|---|-----------------|---|
| 1998-10818-001 | Indirect cost was not properly calculated . | No | Not corrected, same issue reported in 1999 |



STATE OF OHIO
OFFICE OF THE AUDITOR

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EAST CLEVELAND 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
MARCH 20, 2001**