

**SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - All Governmental Fund Types and Expendable Trust Funds - (Non-GAAP Budgetary Basis)	7
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types	11
Combined Statement of Cash Flows - All Proprietary Fund Types	12
Notes to the General Purpose Financial Statements	13
Schedule of Federal Awards Expenditures	39
Notes to the Schedule of Federal Awards Expenditures	40
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	41
Report on Compliance with Requirements Applicable To The Major Federal Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	43
Schedule of Findings	45
Data Collection Form	46



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113

Telephone 216-787-3665
800-626-2297

Facsimile 216-787-3361

REPORT OF INDEPENDENT ACCOUNTANTS

South Euclid-Lyndhurst City School District
Cuyahoga County
5044 Mayfield Road
Lyndhurst, Ohio 44124

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the South Euclid-Lyndhurst 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 South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized "X" mark.

JIM PETRO
Auditor of State

October 26, 1999

THIS PAGE INTENTIONALLY LEFT BLANK

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT

Combined Balance Sheet
All Fund Types and Account Groups

June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 913,967	\$ 1,169,581	\$ 25,935	\$ 2,440,427
Restricted Cash	181,027	0	0	0
Receivables:				
Taxes	31,950,794	0	1,140,025	0
Accounts	3,245	0	0	0
Intergovernmental	1,800	0	0	0
Inventory for Resale	0	0	0	0
Inventory	24,377	0	0	0
Fixed Assets (Net)	0	0	0	0
Total Assets	33,075,210	1,169,581	1,165,960	2,440,427
<u>Other Debits</u>				
Amount Available In Debt Service	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	\$ 33,075,210	\$ 1,169,581	\$ 1,165,960	\$ 2,440,427
 <i>Liabilities, Fund Equity, and Other Credits</i>				
<u>Liabilities</u>				
Accounts Payable	\$ 112,799	\$ 73,460	\$ 0	\$ 392,892
Accrued Wages and Benefits	2,567,191	44,240	0	0
Compensated Absences Payable	0	0	0	0
Intergovernmental Payable	937,194	18,313	0	0
Deferred Revenue	22,045,289	0	786,590	0
Undistributed Monies	0	0	0	0
Notes Payable	0	0	0	2,700,000
Early Retirement Incentive Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	25,662,473	136,013	786,590	3,092,892
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	119,711	219,062	0	1,483,363
Reserved for Inventory	24,377	0	0	0
Reserved for Budget Stabilization	181,027	0	0	0
Reserved for Property Taxes	9,905,505	0	353,435	0
Reserved for Debt Service	0	0	25,935	0
Unreserved:				
Undesignated	(2,817,883)	814,506	0	(2,135,828)
Total Fund Equity, and Other Credits	7,412,737	1,033,568	379,370	(652,465)
Total Liabilities, Fund Equity, and Other Credits	\$ 33,075,210	\$ 1,169,581	\$ 1,165,960	\$ 2,440,427

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		(Memorandum Only)
\$ 43,430	\$ 28,555	\$ 516,212	\$ 0	\$ 0	\$	5,138,107
0	0	0	0	0	0	181,027
0	0	0	0	0	0	33,090,819
4,241	0	0	0	0	0	7,486
0	0	0	0	0	0	1,800
18,725	0	0	0	0	0	18,725
0	0	0	0	0	0	24,377
270,061	0	0	26,552,425	0	0	26,822,486
336,457	28,555	516,212	26,552,425	0	0	65,284,827
0	0	0	0	0	379,370	379,370
0	0	0	0	0	15,715,302	15,715,302
0	0	0	0	0	16,094,672	16,094,672
\$ 336,457	\$ 28,555	\$ 516,212	\$ 26,552,425	\$ 16,094,672	\$	81,379,499
\$ 28,338	\$ 0	\$ 0	\$ 0	\$ 0	\$	607,489
2,714	0	0	0	0	0	2,614,145
1,037	0	0	0	1,615,507	0	1,616,544
22,636	0	0	0	323,514	0	1,301,657
12,682	0	0	0	0	0	22,844,561
0	0	510,217	0	0	0	510,217
0	0	0	0	490,000	0	3,190,000
0	0	0	0	915,651	0	915,651
0	0	0	0	12,750,000	0	12,750,000
67,407	0	510,217	0	16,094,672	0	46,350,264
0	0	0	26,552,425	0	0	26,552,425
269,050	28,555	0	0	0	0	297,605
0	0	0	0	0	0	1,822,136
0	0	0	0	0	0	24,377
0	0	0	0	0	0	181,027
0	0	0	0	0	0	10,258,940
0	0	0	0	0	0	25,935
0	0	5,995	0	0	0	(4,133,210)
269,050	28,555	5,995	26,552,425	0	0	35,029,235
\$ 336,457	\$ 28,555	\$ 516,212	\$ 26,552,425	\$ 16,094,672	\$	81,379,499

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 32,182,617	\$ 0	\$ 1,193,615	\$ 0
Intergovernmental	7,890,702	1,747,547	138,812	126,502
Investment Income	337,226	8,937	0	132,209
Tuition and Fees	1,385,997	18,325	0	0
Extracurricular Activities	0	61,057	0	0
Miscellaneous	498,405	546,248	0	0
Total Revenues	42,294,947	2,382,114	1,332,427	258,711
Expenditures				
Current:				
Instruction				
Regular	15,210,638	271,366	0	145,917
Special	3,292,443	387,979	0	0
Vocational	1,244,127	0	0	0
Other	57,686	0	0	0
Support Services:				
Pupils	1,817,332	109,293	0	0
Instructional Staff	1,549,674	277,242	0	0
Board of Education	172,665	0	0	0
Administration	2,375,606	29,137	0	0
Fiscal	714,837	0	0	0
Business	265,403	0	0	0
Operation and Maintenance of Plant	5,183,932	1,471	0	670,004
Pupil Transportation	1,668,229	0	0	0
Central	413,740	11,753	0	165,100
Operation of Non-Instructional Services				
Community Services	41,752	1,038,495	0	0
Extracurricular Activities	531,782	105,973	0	0
Capital Outlay	105,127	0	0	1,715,215
Debt Service:				
Principal Payments	0	0	485,000	2,700,000
Interest and Fiscal Charges	0	0	835,188	0
Total Expenditures	34,644,973	2,232,709	1,320,188	5,396,236
Excess of Revenues Over (Under) Expenditures	7,649,974	149,405	12,239	(5,137,525)
Other Financing Sources (Uses)				
Proceeds of Notes	0	0	0	0
Proceeds from Sale of Fixed Assets	11,200	0	0	0
Operating Transfers In	0	135,135	111,772	0
Operating Transfers Out	(244,112)	0	0	0
Total Other Financing Sources (Uses)	(232,912)	135,135	111,772	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,417,062	284,540	124,011	(5,137,525)
Fund Balance at Beginning Of Year, as Restated (Note 3)	(4,325)	749,028	255,359	4,485,060
Fund Balance at End of Year	\$ 7,412,737	\$ 1,033,568	\$ 379,370	\$ (652,465)

See accompanying notes to the general purpose financial statements.

Fiduciary
Fund Type

Expendable Trust	Totals (Memorandum Only)
\$ 0	\$ 33,376,232
0	9,903,563
0	478,372
0	1,404,322
0	61,057
902	1,045,555
902	46,269,101

1,182	15,629,103
0	3,680,422
0	1,244,127
0	57,686

0	1,926,625
0	1,826,916
0	172,665
407	2,405,150
0	714,837
0	265,403
0	5,855,407
0	1,668,229
0	590,593

0	1,080,247
0	637,755
0	1,820,342
0	
0	3,185,000
0	835,188

1,589	43,595,695
-------	------------

(687)	2,673,406
-------	-----------

0	0
0	11,200
0	246,907
0	(244,112)
0	13,995

(687)	2,687,401
-------	-----------

6,682	5,491,804
-------	-----------

\$ 5,995	\$ 8,179,205
----------	--------------

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types and Expendable Trust Funds
(Non-GAAP Budgetary Basis)*

For the Year Ended June 30, 1999

	GENERAL FUND			SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 25,593,000	\$ 25,132,432	\$ (460,568)	\$ 0	\$ 0	\$ 0
Intergovernmental	7,430,000	7,899,840	469,840	1,808,790	1,773,287	(35,503)
Investment Income	380,000	339,411	(40,589)	0	8,937	8,937
Tuition and Fees	961,000	1,451,784	490,784	20,000	18,325	(1,675)
Extracurricular Activities	0	0	0	26,530	61,057	34,527
Rentals	300,000	298,772	(1,228)	0	0	0
Miscellaneous	3,460,663	3,048,663	(412,000)	406,517	546,248	139,731
Total Revenues	38,124,663	38,170,902	46,239	2,261,837	2,407,854	146,017
Expenditures						
Current:						
Instruction	19,907,118	19,860,195	46,923	884,388	696,931	187,457
Support Services:						
Pupils	1,807,509	1,807,509	0	147,839	118,417	29,422
Instructional Staff	1,441,699	1,441,699	0	346,312	284,679	61,633
Board of Education	3,157,302	3,157,302	0	0	0	0
Administration	2,409,524	2,409,524	0	37,013	29,506	7,507
Fiscal	758,776	758,776	0	0	0	0
Business	274,118	274,118	0	0	0	0
Operation and Maintenance of Plant	5,123,180	5,123,180	0	47,765	2,021	45,744
Pupil Transportation	1,760,826	1,760,826	0	0	0	0
Central	434,604	434,604	0	26,885	20,259	6,626
Operation of Non-Instructional Services						
Community Services	41,582	41,582	0	1,333,506	1,217,162	116,344
Extracurricular Activities	543,240	543,240	0	107,051	107,051	0
Capital Outlay	106,460	106,460	0	0	0	0
Debt Service:	0	0	0	0	0	0
Principal Payments	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	37,765,938	37,719,015	46,923	2,930,759	2,476,026	454,733
Excess of Revenues Over (Under) Expenditures	358,725	451,887	93,162	(668,922)	(68,172)	600,750
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	0	11,200	11,200	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Advances In	38,000	38,750	750	0	0	0
Advances Out	0	0	0	0	(38,750)	(38,750)
Operating Transfers In	0	0	0	0	135,135	135,135
Operating Transfers Out	(248,947)	(244,112)	4,835	0	0	0
Total Other Financing Sources (Uses)	(210,947)	(194,162)	16,785	0	96,385	96,385
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	147,778	257,725	109,947	(668,922)	28,213	697,135
Fund Balance (Deficit) at Beginning of Year	297,560	297,560	0	698,671	698,671	0
Prior Year Encumbrances Appropriated	0	0	0	150,175	150,175	0
Fund Balance (Deficit) at End of Year	\$ 445,338	\$ 555,285	\$ 109,947	\$ 179,924	\$ 877,059	\$ 697,135

See accompanying notes to the general purpose financial statements.

DEBT SERVICE FUND			CAPITAL PROJECT FUND		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,100,000	\$ 975,865	\$ (124,135)	\$ 0	\$ 0	\$ 0
44,000	138,812	94,812	126,502	126,502	0
0	0	0	50,000	132,209	82,209
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,144,000	1,114,677	(29,323)	176,502	258,711	82,209
0	0	0	183,490	156,185	27,305
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	670,004	670,004	0
0	0	0	0	0	0
0	0	0	158,065	165,100	(7,035)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	3,650,000	3,372,078	277,922
0	0	0	0	0	0
485,000	485,000	0	2,700,000	2,700,000	0
836,000	835,188	812	0	0	0
1,321,000	1,320,188	812	7,361,559	7,063,367	298,192
(177,000)	(205,511)	(28,511)	(7,185,057)	(6,804,656)	380,401
0	0	0	0	0	0
0	0	0	2,700,000	2,700,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	111,772	111,772	0	0	0
0	0	0	0	0	0
0	111,772	111,772	2,700,000	2,700,000	0
(177,000)	(93,739)	83,261	(4,485,057)	(4,104,656)	380,401
119,674	119,674	0	4,073,506	4,073,506	0
0	0	0	411,553	411,553	0
\$ (57,326)	\$ 25,935	\$ 83,261	\$ 2	\$ 380,403	\$ 380,401

(continued)

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types and Expendable Trust Funds
(Non-GAAP Budgetary Basis)*

For the Year Ended June 30, 1999

	EXPENDABLE TRUST FUNDS			TOTALS (MEMORANDUM ONLY)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 0	\$ 0	\$ 0	\$ 26,693,000	\$ 26,108,297	\$ (584,703)
Intergovernmental	0	0	0	9,409,292	9,938,441	529,149
Investment Income	0	0	0	430,000	480,557	50,557
Tuition and Fees	0	0	0	981,000	1,470,109	489,109
Extracurricular Activities	0	0	0	26,530	61,057	34,527
Rentals	0	0	0	300,000	298,772	(1,228)
Miscellaneous	1,000	902	(98)	3,868,180	3,595,813	(272,367)
Total Revenues	1,000	902	(98)	41,708,002	41,953,046	245,044
Expenditures						
Current:						
Instruction	1,282	1,182	100	20,976,278	20,714,493	261,785
Support Services:						
Pupils	0	0	0	1,955,348	1,925,926	29,422
Instructional Staff	0	0	0	1,788,011	1,726,378	61,633
Board of Education	0	0	0	3,157,302	3,157,302	0
Administration	600	407	193	2,447,137	2,439,437	7,700
Fiscal	0	0	0	758,776	758,776	0
Business	0	0	0	274,118	274,118	0
Operation and Maintenance of Plant	0	0	0	5,840,949	5,795,205	45,744
Pupil Transportation	0	0	0	1,760,826	1,760,826	0
Central	0	0	0	619,554	619,963	(409)
Operation of Non-Instructional Services						
Community Services	0	0	0	1,375,088	1,258,744	116,344
Extracurricular Activities	0	0	0	650,291	650,291	0
Capital Outlay	0	0	0	3,756,460	3,478,538	277,922
Debt Service:						
Principal Payments	0	0	0	3,185,000	3,185,000	0
Interest and Fiscal Charges	0	0	0	836,000	835,188	812
Total Expenditures	1,882	1,589	293	49,381,138	48,580,185	800,953
Excess of Revenues Over (Under) Expenditures	(882)	(687)	195	(7,673,136)	(6,627,139)	1,045,997
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	0	0	0	0	11,200	11,200
Proceeds from Sale of Notes	0	0	0	2,700,000	2,700,000	0
Advances In	0	0	0	38,000	38,750	750
Advances Out	0	0	0	0	(38,750)	(38,750)
Operating Transfers In	0	0	0	0	246,907	246,907
Operating Transfers Out	0	0	0	(248,947)	(244,112)	4,835
Total Other Financing Sources (Uses)	0	0	0	2,489,053	2,713,995	224,942
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(882)	(687)	195	(5,184,083)	(3,913,144)	1,270,939
Fund Balance (Deficit) at Beginning of Year (as restated)	6,682	6,682	0	5,196,093	5,196,093	0
Prior Year Encumbrances Appropriated	0	0	0	561,728	561,728	0
Fund Balance (Deficit) at End of Year	\$ 5,800	\$ 5,995	\$ 195	573,738	1,844,677	\$ 1,270,939

See accompanying notes to the general purpose financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT

*Combined Statement of Revenues,
Expenses, and Changes in Retained Earnings
All Proprietary Fund Types*

For the Year Ended June 30, 1999

Proprietary Fund Types			
	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues</u>			
Tuition	\$ 4,275	\$ 0	\$ 4,275
Sales	814,228	0	814,228
Other Operating Revenues	4,241	146,142	150,383
Total Operating Revenues	822,744	146,142	968,886
<u>Operating Expenses</u>			
Salaries	284,242	0	284,242
Fringe Benefits	152,802	0	152,802
Purchased Services	547,548	140,626	688,174
Materials and Supplies	121,989	638	122,627
Depreciation	33,438	0	33,438
Total Operating Expenses	1,140,019	141,264	1,281,283
Operating Income (Loss)	(317,275)	4,878	(312,397)
<u>Non-Operating Revenues (Expenses)</u>			
Operating Grants	112,744	0	112,744
Other Non-Operating Revenue	43,504	0	43,504
Interest	78	0	78
Total Non-Operating Revenues (Expenses)	156,326	0	156,326
Income/Loss before transfers	(160,949)	4,878	(156,071)
Transfers In	78,240	0	78,240
Net income (loss)	(82,709)	4,878	(77,831)
Retained Earnings at Beginning of Year	351,759	23,677	375,436
Total Retained Earnings at End of Year	\$ 269,050	\$ 28,555	\$ 297,605

See accompanying notes to the general purpose financial statements.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT

*Combined Statement of Cash Flows
All Proprietary Fund Types*

For the Year Ended June 30, 1999

	Proprietary Fund Types		
	Enterprise	Internal Service	Totals (Memorandum Only)
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 930,662	\$ 0	\$ 930,662
Cash Paid for Goods and Services	(686,568)	(141,923)	(828,491)
Cash Paid to Employees	(468,215)	0	(468,215)
Other Operating Income	4,241	146,142	150,383
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(219,880)</u>	<u>4,219</u>	<u>(215,661)</u>
Cash Flows From Non-Capital Financing Activities			
Grants	112,744	0	112,744
Investment Earnings	78	0	78
Other Non-Operating Revenue	43,504	0	43,504
Transfers In	78,240	0	78,240
<i>Net Cash Provided By Non-Capital Activities</i>	<u>234,566</u>	<u>0</u>	<u>234,566</u>
Cash Flows From Capital and Related Financing Activities			
Payments for Capital Acquisitions	(11,144)	0	(11,144)
<i>Net Cash (Used For) Capital and Related Financing Activities</i>	<u>(11,144)</u>	<u>0</u>	<u>(11,144)</u>
Net Increase in Cash and Cash Equivalents	3,542	4,219	7,761
Cash and Cash Equivalents at Beginning of Year	39,888	24,336	64,224
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 43,430</u>	<u>\$ 28,555</u>	<u>\$ 71,985</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Operating Income (Loss)	\$ (317,275)	\$ 4,878	\$ (312,397)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Depreciation	33,438	0	33,438
(Increase) Decrease in Assets:			
Intergovernmental Receivable	116,400	0	116,400
Accounts Receivable	(4,241)	0	(4,241)
Inventory	5,983	0	5,983
Increase (Decrease) in Liabilities:			
Accounts Payable	(24,428)	(659)	(25,087)
Intergovernmental Payable	(407)	0	(407)
Accrued Wages and Benefits	(10,185)	0	(10,185)
Compensated Absences Payable	(20,986)	0	(20,986)
Deferred Revenue	1,821	0	1,821
<i>Total Adjustments</i>	<u>97,395</u>	<u>(659)</u>	<u>96,736</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (219,880)</u>	<u>\$ 4,219</u>	<u>\$ (215,661)</u>

See accompanying notes to the general purpose financial statements.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The South Euclid-Lyndhurst City School District (District) is a body public and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally-elected five-member Board of Education (Board) and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional/support facilities which are staffed by 232 classified and 346 certificated personnel who provide services to students and other community members.

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

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

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

Cities of South Euclid and Lyndhurst The city governments are separate body politic and corporate. City officials are elected independent of any District relationships and administer the provision of traditional city services. City Councils act as the taxing and budgeting authority for these city services.

Parent Teacher Association The District is not involved in the budgeting or management is not responsible for any debt and has no influence over the organization.

The District is associated with two jointly governed organizations, one joint venture, and one public entity risk pool. These organizations are discussed in Note 12, Note 13, and Note 15 to the general purpose financial statements. These organizations are:

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

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

Jointly Governed Organizations:

Lakeshore Northeast Ohio Computer Association (LNOCA)
Ohio Schools Council

Joint Venture:

South Euclid-Lyndhurst Recreation Commission (SELREC)

Public Entity Risk Pool:

Ohio School Boards Association Workers' Compensation Group Rating Program

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

GOVERNMENTAL FUND TYPES

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

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

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

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

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

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

PROPRIETARY FUND TYPES

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

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

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

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FIDUCIARY FUND TYPES

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

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

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

ACCOUNT GROUPS

The District maintains two account groups as described below:

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

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

(B) DEPOSITS AND INVESTMENTS

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

During fiscal year 1999, investments were limited to STAROhio, money market accounts, and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) *DEPOSITS AND INVESTMENTS (continued)*

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 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.

(C) *RESTRICTED ASSETS*

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State law and can be used only after receiving approval from the State Superintendent of Public Instruction. A related fund balance reserve has also been established.

(D) *RECEIVABLES*

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

(E) *INVENTORIES AND SUPPLIES*

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

(F) *FIXED ASSETS AND DEPRECIATION*

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

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received. Depreciation is computed using the straight-line method based on the estimated life of 10 years.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(G) *UNPAID COMPENSATED ABSENCES*

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for employees after 20 years of current service with the District and attaining the age of 40.

For governmental funds, these amounts are recorded in the account "Compensated Absences Payable" in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

(H) *LONG-TERM LIABILITIES*

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the General Long-Term Obligations Account Group until due.

(I) *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. During the 1999 fiscal year, the District had the following transfer transactions:

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
 June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) *INTERFUND TRANSACTIONS (continued)*

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 244,112
Special Revenue	135,135	0
Debt Service	111,772	0
Enterprise Funds	78,240	0
Agency	116,800	197,835
Totals	\$ 441,947	\$ 441,947

(J) *FUND EQUITY*

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amounts that have been legally identified for specific purposes. Fund equity reserves are established for encumbrances, inventory, debt, budget stabilization, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

(K) *CONTRIBUTED CAPITAL*

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds that are not subject to repayment. Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1998, the exact amount of contributed capital cannot be determined.

(L) *TOTAL COLUMNS*

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

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
 June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(M) **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 year ended June 30, 1999, the District changed its accounting for unclaimed funds from an expendable trust fund to an agency fund. Beginning fund balance is restated since a liability was not established as of June 30, 1998 related to unclaimed monies of \$93,733.

The restatements to the opening fund balances are as follows:

Fund Type/Fund	Previously Stated Balance at 6/30/98	Adjustments	Restated Balance at 7/1/98
Fiduciary Fund: Expendable Trust (GAAP and Budgetary)	\$ 100,415	\$ (93,733)	\$ 6,682

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

(A) **BUDGETARY PROCESS**

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

All funds, other than agency funds, are required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the object code function level within each fund. As of June 30, 1999, the legal level of control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

(B) BUDGETARY BASIS

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board 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

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Funds (Non-GAAP Budgetary Basis)" do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Several supplemental appropriation resolutions were legally enacted by the Board during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Funds (Non-GAAP Budgetary Basis)" represent the final appropriation amounts including all amendments and modifications.

Encumbrances

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

Lapsing of Appropriations

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

Budgetary Reporting

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

- 1) Revenues are recorded when received (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
 June 30, 1999

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- 4) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- 5) The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Budget Basis	\$ 257,725	\$ 28,213	\$ (93,739)	\$ (4,104,656)	\$ (687)
Adjustments, increase (decrease)					
Revenue accruals	6,934,969	(25,740)	217,750	0	0
Proceeds from Sale of					
Short Term Note	0	0	0	(2,700,000)	0
Expenditures accruals	(8,142)	(10,455)	0	(209,124)	0
Encumbrances	232,510	292,522	0	1,876,255	0
GAAP basis	<u>\$ 7,417,062</u>	<u>\$ 284,540</u>	<u>\$ 124,011</u>	<u>\$ (5,137,525)</u>	<u>\$ (687)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

(A) LEGAL REQUIREMENTS

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

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

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

- 1) *United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;*
- 2) *Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;*
- 3) *Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be market to market daily with the term of the agreement not exceeding 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 (STAR Ohio);*

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies 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 South Euclid-Lyndhurst City School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

(B) *DEPOSITS*

At fiscal year-end the carrying amount of the District's deposits was \$(882,110) and the bank balance was \$276,511 all of which was covered by federal depository insurance.

(C) *INVESTMENTS*

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

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
 June 30, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

	Category			Carrying value	Market value
	1	2	3		
Repurchase Agreement \$	0	\$ 0	\$ 634,000	\$ 634,000	\$ 634,000
Investment in State Treasurer's Investment Pool				<u>5,567,244</u>	<u>5,567,244</u>
Total Investments				<u>\$ 6,201,244</u>	<u>\$ 6,201,244</u>

NOTE 6 - FIXED ASSETS AND ACCUMULATED DEPRECIATION

(A) **GENERAL FIXED ASSETS ACCOUNT GROUP**

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

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Land	\$ 790,393	\$ 0	\$ 0	\$ 790,393
Buildings and Improvements	14,560,599	1,285,111	0	15,845,710
Furniture and Equipment	7,747,616	387,006	0	8,134,622
Vehicles	1,670,311	111,389	0	1,781,700
	<u>\$ 24,768,919</u>	<u>\$ 1,783,506</u>	<u>\$ 0</u>	<u>\$ 26,552,425</u>

(B) **PROPRIETARY FUND TYPE FIXED ASSETS**

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

Enterprise	Balance June 30, 1999
Equipment	\$ 592,819
Less: accumulated depreciation	<u>(322,758)</u>
Net fixed assets	<u>\$ 270,061</u>

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
 June 30, 1999

NOTE 7 - DEBT OBLIGATIONS

The note payable in the Capital Projects Fund is a bond anticipation note issued for the purpose of paying costs of installations, modifications, and remodeling of school buildings to conserve energy and acquiring school buses. The note has a stated interest rate of 3.4% and is due February 10, 2000.

General long term obligations consist of the following:

	Outstanding June 30, 1998	Additions	Reductions	Outstanding June 30, 1999
Notes Payable				
HB264 Note issued 11/92 at 4.9426% due 12/1/2002	\$ 600,000	\$ 0	\$ 110,000	\$ 490,000
HB264 Note issued 2/13/98 at 3.98% due 2/12/99	2,500,000	0	2,500,000	0
School Bus Note at 4.0 due 2/11/99	200,000	0	200,000	0
Notes Payable	<u>3,300,000</u>	<u>0</u>	<u>2,810,000</u>	<u>490,000</u>
General Obligation Bonds				
1993 Bond Issue 5.21% due 12/1/2018	7,700,000	0	225,000	7,475,000
1996 Bond Issue 6.11% due 12/1/2018	5,425,000	0	150,000	5,275,000
Bonds Payable	<u>13,125,000</u>	<u>0</u>	<u>375,000</u>	<u>12,750,000</u>
Compensated Absences				
Accrued vacations	78,059	147,300	78,059	147,300
Accrued sick leave benefits	2,068,649	1,468,207	2,068,649	1,468,207
Compensated Absences	<u>2,146,708</u>	<u>1,615,507</u>	<u>2,146,708</u>	<u>1,615,507</u>
Early Retirement Incentive	1,683,124	0	767,473	915,651
Intergovernmental Payables				
Accrued SERS/STRS	235,798	271,835	235,798	271,835
SERS Surcharge	51,679	51,679	51,679	51,679
Other Intergovernmental Pay	481,621	0	481,621	0
Intergovernmental Paybles	<u>769,098</u>	<u>323,514</u>	<u>769,098</u>	<u>323,514</u>
	<u>\$ 21,023,930</u>	<u>\$ 1,939,021</u>	<u>\$ 6,868,279</u>	<u>\$ 16,094,672</u>

Outstanding general obligation bonds consist of school building construction issues.

General obligation bonds are direct obligations of the District for which it's full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the District.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
 June 30, 1999

NOTE 7 - GENERAL LONG TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term notes and bonds outstanding are as follows:

Fiscal Year Ending June 30,	Notes Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2000	\$ 115,000	\$ 22,830	\$ 390,000	\$ 685,000
2001	120,000	16,892	410,000	667,874
2002	125,000	10,428	425,000	649,540
2003	130,000	3,542	445,000	629,932
2004	0	0	465,000	608,820
Thereafter	0	0	10,615,000	5,122,534
Total	\$ 490,000	\$ 53,692	\$ 12,750,000	\$ 8,363,700

The Board approved an Early Retirement Incentive program for certified employees. Participation was open to employees who were at least fifty years old, qualified for retirement with the years purchased by the Board, and agreed to retire within ninety days after notification that credit had been purchased. The credit could not exceed the lesser of two years or one fifth of each member's total Ohio service. The Board did not limit the number of employees participating in the plan in any one year. The District has a retirement incentive program for classified employees, which awards a bonus payment for those meeting the criteria who elect to retire.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Cuyahoga County Auditor is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Cuyahoga County Auditor reappraises real property every six years with a triennial update, which was last completed for 1997. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Cuyahoga County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 1999 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$82.10 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$42.40 per \$1,000 of assessed valuation for residential and agricultural real property, and \$50.60 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 1998 was \$82.10 per \$1,000 of valuation.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 8 - PROPERTY TAXES (continued)

The property valuation consisted of:

Real Property - 1999	
Residential/Agricultural	\$ 559,961,100
Commercial/Industrial	113,909,570
Tangible Personal Property - 1999	
General	23,694,168
Public Utilities	<u>21,733,910</u>
Total valuation	<u>\$ 719,298,748</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 1999, was \$10,258,940.

NOTE 9 - PENSION PLANS

(A) *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)*

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll; 9.79 percent of covered payroll was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$820,212, \$823,980, and \$889,644, respectively; 66.67 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. The amount representing the unpaid contribution for fiscal year 1999, \$408,228 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 9 - PENSION PLANS (continued)

(B) STATE TEACHERS RETIREMENT SYSTEM (STRS)

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement system by the State of Ohio. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and South Euclid-Lyndhurst City School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the years ended June 30, 1999, 1998 and 1997 were \$2,722,884 \$2,698,440, and, \$2,291,088, respectively; 82.14 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. The amount representing the unpaid contribution for fiscal year 1999, \$457,888 is recorded as a liability within the respective funds.

NOTE 10 - 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$388,983 during fiscal 1999.

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

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 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. This surcharge added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS has net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge equaled \$319,523 during the 1999 fiscal year.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
 June 30, 1999

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	Food Services	Uniform Supplies	Adult Ed	Total
Operating revenues	\$ 764,289	54,180	4,275	\$ 822,744
Operating expenses				
Salaries	284,242	0	0	284,242
Fringe benefits	152,802	0	0	152,802
Purchased services	544,548	0	3,000	547,548
Materials and supplies	21,099	55,266	45,624	121,989
Depreciation	33,438	0	0	33,438
Total operating expenses	1,036,129	55,266	48,624	1,140,019
Operating income (loss)	(271,840)	(1,086)	(44,349)	(317,275)
Non-operating revenues, net	112,822	0	43,504	156,326
Transfers In	72,800	0	5,440	78,240
Net income (loss)	<u>\$ (86,218)</u>	<u>\$ (1,086)</u>	<u>\$ 4,595</u>	<u>\$ (82,709)</u>
Other information				
Net working capital	<u>\$ (44,379)</u>	<u>\$ 38,398</u>	<u>\$ 4,970</u>	<u>\$ (1,011)</u>
Fixed assets, net	<u>\$ 270,061</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 270,061</u>
Total assets	<u>\$ 293,089</u>	<u>\$ 38,398</u>	<u>\$ 4,970</u>	<u>\$ 336,457</u>
Total equity	<u>\$ 225,682</u>	<u>\$ 38,398</u>	<u>\$ 4,970</u>	<u>\$ 269,050</u>

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

The Lake-Shore North-East Ohio Computer Association (LNOCA) is a jointly governed organization among fourteen School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of the schools supports LNOCA based upon a per pupil charge dependent upon the software package utilized. The LNOCA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LNOCA is governed by a Board of Directors chosen from the general membership of the LNOCA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting LNOCA, 7800 Wall Street, Valley View, Ohio 44104.

The Ohio Schools Council (Council) is a jointly governed organization among eighty-two school districts. This jointly governed organization was formed to bring 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 Governing 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 1999, the District paid \$800 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Council at 6376 Mill Road, Broadview Heights, Ohio 44147.

The District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period.

The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year end and necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to pre-purchase eight years of electricity from the Illuminating Company for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to the Illuminating Company and the Illuminating Company will refund the remaining pre-payment related to that participant to Energy Acquisition Corp.

NOTE 13 - JOINT VENTURE

The South Euclid-Lyndhurst Recreation commission (SELREC) is a joint venture that is jointly owned and operated by the Cities of South Euclid and Lyndhurst, and the District for the purpose of operating playgrounds, play fields, and indoor recreation centers. Each of these governments supports SELREC through funds that are appropriated in their budgets.

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 13 – JOINT VENTURES (continued)

The operation of SELREC is controlled by a nine member board consisting of the following: one member appointed by the mayor of the City of South Euclid and one member appointed by the mayor of the City of Lyndhurst, three members that are residents of the City of South Euclid, three members that are residents of the City of Lyndhurst, and one member that is a resident of the District and that lives in either the City of South Euclid or the City of Lyndhurst (jointly appointed by the mayors of the Cities of South Euclid and Lyndhurst). The District, the City of South Euclid, and the City of Lyndhurst have an ongoing financial responsibility because the continued existence of the joint venture depends on their contributions. For the year ended June 30, 1999, the District contributed a total of \$41,582, for operating expenses of SELREC. The District has no explicit and measurable equity interest in SELREC. Financial information may be obtained by contacting the Treasurer of the South Euclid-Lyndhurst City School District at 5044 Mayfield Road, Lyndhurst, Ohio 44124.

NOTE 14 - CONTINGENCIES

(A) GRANTS

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

(B) LITIGATION

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

NOTE 15 - RISK MANAGEMENT

(A) GENERAL RISK

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$87,899,660.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 15 - RISK MANAGEMENT (continued)

(A) **GENERAL RISK (continued)**

Settled claims have not exceeded coverage within the last three years. There has not been a significant reduction in coverage from the prior years.

(B) **WORKERS' COMPENSATION-PUBLIC ENTITY RISK POOL**

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

(C) **HEALTH INSURANCE**

The District provides life insurance and accidental death and dismemberment insurance to its employees. The District has elected to provide employee medical/surgical benefits and dental through Medical Mutual of Ohio, a fully funded program.

NOTE 16 - STATE SCHOOL FUNDING PROGRAM

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 the State's "school foundation program," which provides significant amounts of monetary support to the School District. For the fiscal year ended June 30, 1999, the School District received \$3,985,114 of school foundation support for its general fund.

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
 June 30, 1999

NOTE 16 - STATE SCHOOL FUNDING PROGRAM (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County is currently reviewing the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The state has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District was 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 17 - STATUTORY RESERVES

Substitute House Bill 412, as amended, required the District to "set aside" certain percentages of defined revenues for (1) textbook and instructional material purchases, (2) capital and maintenance expenditures, and (3) to establish a budget reserve. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a state school district solvency fund, and amended "spending reserve" provisions. During the fiscal year June 30, 1999, the reserve activity (Cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Maintenance Reserve</u>	<u>Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance 7/1/98	\$ 0	\$ 0	\$ 181,027	\$ 181,027
Required Set-Aside	532,600	532,600	0	1,065,200
Qualifying Disbursements	<u>(537,770)</u>	<u>(958,122)</u>	<u>0</u>	<u>(1,495,892)</u>
Total	<u>\$ (5,170)</u>	<u>\$ (425,522)</u>	<u>\$ 181,027</u>	<u>\$ (249,665)</u>
The balance of the set-aside carried forward to the next year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 181,027</u>	<u>\$ 181,027</u>

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

SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 18 – YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS).

Cuyahoga County collects property taxes for distribution to the School District. Cuyahoga County is responsible for remediating the tax collection system.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The Northwest Ohio Computer Association, State Software Development Team states,

“The payroll processing software supported with the OECN State Software will be compliant with the Year 2000, beginning with the September 1997 release of USPS V4.0.

The accounting software supported with the OECN State Software will be compliant with the Year 2000, beginning with the June 1998 release of USAS V6.1.

The equipment inventory and vehicle inventory system software supported with OECN State software will be compliant with the Year 2000, beginning with the December 1998 release of SAAS V2.0. The education management information system software supported with the OECN State Software will be compliant with the Year 2000, beginning with the September 1998 release of EMIS V1.7.”

The State of Ohio distributes a substantial sum of money to the District in the form of “Foundation” and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the district through EMIS. The State is responsible for remediating these systems.

Water service is handled by the City of Cleveland. The City is responsible for remediating this system, and is solely responsible for any costs associated with this project.

Sewer service is handled by the Cuyahoga County Sanitary Engineers and the Northeastern Ohio Regional Sewer District. The entities are responsible for remediating this system, and is solely responsible for any costs associated with this project.

Electric service is handled by the Illuminating Company. This company is responsible for remediating this system, and is solely responsible for any costs associated with this project.

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements (continued)
June 30, 1999

NOTE 18 – YEAR 2000 ISSUE (continued)

Gas service is handled by the East Ohio Gas Company. This company is responsible for remediating this system, and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

South Euclid Lyndhurst City School District

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 1999

Federal Grantor/ Pass-Through Grantor/Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$27,531	\$0	\$28,485
National School Lunch Program	050948 04-PU-00	10.555	\$113,953	\$0	\$113,953	\$0
Total U.S. Department of Agriculture - Nutrition Cluster			\$113,953	\$27,531	\$113,953	\$28,485
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Preschool Disabilities	PG-S1-98	84.173	\$1,920		\$14,151	
Preschool Disabilities	PG-S1-99	84.173	\$30,743		\$30,743	
Title VI-B	6B-SF-98	84.027	\$50,798		\$55,725	
Title VI-B	6B-SF-99	84.027	\$228,178		\$179,274	
Total Special Education Cluster			\$311,639		\$279,893	
Grants to Local Education Agencies:						
Title 1	C1-S1-97	84.010	\$0		\$2,750	
Title 1	C1-S1-98	84.010	\$47,108		\$47,116	
Title 1	C1-S1-99	84.010	\$158,322		\$158,322	
Total Title 1			\$205,430		\$208,188	
Eisenhower Grant	MS-S1-97	84.281	\$0		\$1,623	
Eisenhower Grant	MS-S1-98	84.281	\$0		\$9,382	
Eisenhower Grant	MS-S1-99	84.281	\$14,925		\$9,027	
Total Eisenhower Grant			\$14,925		\$20,032	
Goals 2000	G2-S4-98/99	84.276	\$20,000		\$14,123	
Drug Free Schools Grant	DR-S1-97	84.186	\$0		\$680	
Drug Free Schools Grant	DR-S1-98	84.186	\$11,076		\$17,458	
Drug Free Schools Grant	DR-S1-99	84.186	\$25,352		\$18,779	
Total Drug Free Schools Grant			\$36,428		\$36,917	
Emergency Immigrant Grant	FY99	84.162	\$3,953		\$525	
Title VI	C2-S1-97	84.298	\$0		\$3,890	
Title VI	C2-S1-98	84.298	\$0		\$19,358	
Title VI	C2-S1-99	84.298	\$25,838		\$492	
			\$25,838		\$23,740	
Total U.S. Department of Education			\$618,213		\$583,418	
Total Federal Financial Assistance			\$732,166	\$27,531	\$697,371	\$28,485

The notes to the federal awards expenditures are an integral part of this schedule

**South Euclid-Lyndhurst City School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 1999**

1. ACCOUNTING POLICY

The accompanying Schedule of Federal Awards Expenditures (Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. FOOD DISTRIBUTION

Nonmonetary assistance (food commodities) received from the U.S. Department of Agriculture is reported in the Schedule at the fair market value of the commodities received and consumed. The District's food commodities inventory at June 30, 1999 was \$12,681 and is included in the Inventory for Resale amount on the Combined Balance Sheet - All Fund Types and Account Groups.

3. OTHER

CFDA - Catalog of Federal Domestic Assistance
N/A - not applicable



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113

Telephone 216-787-3665
800-626-2297

Facsimile 216-787-3361

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

South Euclid-Lyndhurst City School District
Cuyahoga County
5044 Mayfield Road
Lyndhurst, Ohio 44124

To the Board of Education:

We have audited the financial statements of the South Euclid-Lyndhurst 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 October 26, 1999. 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated October 26, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated October 26, 1999.

South Euclid-Lyndhurst City School District
Cuyahoga County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and 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

October 26, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113

Telephone 216-787-3665
800-626-2297

Facsimile 216-787-3361

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

South Euclid-Lyndhurst City School District
Cuyahoga County
5044 Mayfield Road
Lyndhurst, Ohio 44124

To the Board of Education:

Compliance

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

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control 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 financial reporting 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

South Euclid-Lyndhurst City School District
Cuyahoga County
Report on Compliance with Requirements Applicable to the
Major Federal Program and Internal Control Over Compliance In
Accordance with OMB Circular A-133
Page 2

matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated October 26, 1999.

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

October 26, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

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

NONE	
------	--

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

SOUTH EUCLID-LYNDHURST 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.

By: Susan Babbitt

Date: JAN 11 2000