



**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the East Cleveland City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 East Cleveland City School District, Cuyahoga County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 to the general purpose financial statements, during fiscal year 2000 the District changed its method of accounting for compensated absences.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 16, 2001

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EAST CLEVELAND CITY SCHOOL DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2000

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS AND OTHER DEBITS</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,608,173	\$ 2,670,249	\$ 1,226,342	\$ 24,178,419
Receivables:				
Taxes	11,227,353	-	761,509	106,698
Interest	58,485	-	-	-
Intergovernmental	80,378	252,495	-	-
Interfund Receivable	744,472	-	-	-
Inventory Held for Resale	-	13,306	-	-
Materials and Supplies Inventory	-	4,220	-	-
Restricted Assets:				
Cash and Cash Equivalents	973,779	-	-	-
Fixed Assets, net of Accumulated Depreciation	-	-	-	-
<u>Other Debits</u>				
Amount Available in Debt Service Fund	-	-	-	-
Amount to be Provided for Retirement of General Long-term Obligations	-	-	-	-
Total Assets and Other Debits	\$ <u>18,692,640</u>	\$ <u>2,940,270</u>	\$ <u>1,987,851</u>	\$ <u>24,285,117</u>

See Accompanying Notes to the General Purpose Financial Statements

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$ 154,233	\$ 159,046	\$ -	\$ -	\$ 33,996,462
-	-	-	-	12,095,560
-	-	-	-	58,485
-	-	-	-	332,873
-	-	-	-	744,472
-	-	-	-	13,306
-	-	-	-	4,220
-	-	-	-	973,779
878	-	33,808,175	-	33,809,053
-	-	-	1,081,937	1,081,937
<u>-</u>	<u>-</u>	<u>-</u>	<u>16,319,099</u>	<u>16,319,099</u>
\$ <u>155,111</u>	\$ <u>159,046</u>	\$ <u>33,808,175</u>	\$ <u>17,401,036</u>	\$ <u>99,429,246</u>

(Continued)

EAST CLEVELAND CITY SCHOOL DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED) JUNE 30, 2000

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 481,144	\$ 131,694	\$ -	\$ -
Accrued Wages and Benefits	3,610,506	620,605	-	-
Accrued Compensated Absences	179,985	13,857	-	-
Intergovernmental Payable	1,216,071	139,008	-	-
Interfund Payable	-	739,472	-	-
Deferred Revenue	10,188,922	-	691,076	96,829
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	<u>15,676,628</u>	<u>1,644,636</u>	<u>691,076</u>	<u>96,829</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balance				
Reserve for Encumbrances	540,001	556,872	-	4,394
Reserve for Inventory	-	4,220	-	-
Reserve for Property Taxes	1,038,431	-	70,433	9,869
Reserve for Textbooks	222,797	-	-	-
Reserve for Budget Stabilization	750,982	-	-	-
Unreserved (Deficit)	<u>463,801</u>	<u>734,542</u>	<u>1,226,342</u>	<u>24,174,025</u>
Total Fund Equity and Other Credits	<u>3,016,012</u>	<u>1,295,634</u>	<u>1,296,775</u>	<u>24,188,288</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 18,692,640</u>	<u>\$ 2,940,270</u>	<u>\$ 1,987,851</u>	<u>\$ 24,285,117</u>

See Accompanying Notes to the General Purpose Financial Statements

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$ -	\$ 3,026	\$ -	\$ -	\$ 615,864
2,300	-	-	-	4,233,411
-	-	-	6,791,534	6,985,376
988	107,482	-	409,502	1,873,051
5,000	-	-	-	744,472
-	-	-	-	10,976,827
-	-	-	10,200,000	10,200,000
<u>8,288</u>	<u>110,508</u>	<u>-</u>	<u>17,401,036</u>	<u>35,629,001</u>
-	-	33,808,175	-	33,808,175
146,823	-	-	-	146,823
-	-	-	-	1,101,267
-	-	-	-	4,220
-	-	-	-	1,118,733
-	-	-	-	222,797
-	-	-	-	750,982
-	48,538	-	-	26,647,248
<u>146,823</u>	<u>48,538</u>	<u>33,808,175</u>	<u>-</u>	<u>63,800,245</u>
\$ <u>155,111</u>	\$ <u>159,046</u>	\$ <u>33,808,175</u>	\$ <u>17,401,036</u>	\$ <u>99,429,246</u>

EAST CLEVELAND 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, 2000

	<u>General</u>	<u>Special Revenue</u>
<u>Revenues</u>		
Property Taxes	\$ 10,627,113	\$ -
Intergovernmental	32,080,369	9,151,445
Tuition and Fees	33,965	-
Earnings on Investments	1,111,145	-
Extracurricular Activities	481	82,350
Classroom Materials and Fees	5,327	-
Miscellaneous	<u>702,405</u>	<u>428,351</u>
Total Revenues	<u>44,560,805</u>	<u>9,662,146</u>
<u>Expenditures</u>		
Current:		
Instruction:		
Regular	21,903,787	1,590,667
Special	4,016,343	2,316,296
Vocational	1,637,980	210,185
Adult/Continuing	-	96,429
Other	628,107	560
Support Services:		
Pupils	1,804,529	844,176
Instructional Staff	1,762,484	1,491,867
Board of Education	195,980	-
Administration	4,804,649	387,374
Fiscal Services	866,966	-
Business	66,354	-
Operations and Maintenance of Plant	5,241,160	827,330
Pupil Transportation	1,323,795	28,506
Central Services	2,722,441	86,774
Operation of Non-Instructional Services	8,649	2,570,493
Extracurricular Activities	349,014	231,887
Capital Outlay	547,377	-
Debt Service:		
Principal	-	-
Interest and Fiscal Charges	<u>-</u>	<u>-</u>
Total Expenditures	<u>47,879,615</u>	<u>10,682,544</u>
Excess of Revenues Over (Under) Expenditures	(3,318,810)	(1,020,398)

See Accompanying Notes to the General Purpose Financial Statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Total (Memorandum Only)</u>
\$ 663,937	\$ 91,844	\$ -	\$ 11,382,894
97,668	16,059,185	-	57,388,667
-	-	-	33,965
214,838	461,815	-	1,787,798
-	-	-	82,831
-	-	-	5,327
-	<u>10,281</u>	<u>404</u>	<u>1,141,441</u>
<u>976,443</u>	<u>16,623,125</u>	<u>404</u>	<u>71,822,923</u>
-	131,418	7,568	23,633,440
-	-	-	6,332,639
-	-	-	1,848,165
-	-	-	96,429
-	-	-	628,667
-	-	-	2,648,705
-	56,388	153	3,310,892
-	-	-	195,980
-	-	-	5,192,023
-	-	-	866,966
-	-	-	66,354
-	-	-	6,068,490
-	-	-	1,352,301
-	22,939	-	2,832,154
-	-	-	2,579,142
-	-	-	580,901
-	4,071,914	-	4,619,291
360,000	-	-	360,000
<u>566,613</u>	<u>-</u>	<u>-</u>	<u>566,613</u>
<u>926,613</u>	<u>4,282,659</u>	<u>7,721</u>	<u>63,779,152</u>
49,830	12,340,466	(7,317)	8,043,771

(Continued)

EAST CLEVELAND CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2000

	<u>General</u>	<u>Special Revenue</u>
<u>Other Financing Sources (Uses)</u>		
Proceeds from Sale of Assets	7,979	-
Transfers – In	-	140,776
Refund of Prior Year Expenditures	369,085	-
Transfers – Out	(249,855)	-
Refund of Prior Years Receipts	(170)	(16,868)
Total Other Financing Sources (Uses)	<u>127,039</u>	<u>123,908</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,191,771)	(896,490)
Fund Balance at Beginning of Year	6,207,783	2,191,549
Increase in Reserve for Inventory	<u>-</u>	<u>575</u>
Fund Balance at End of Year	\$ <u>3,016,012</u>	\$ <u>1,295,634</u>

See Accompanying Notes to the General Purpose Financial Statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Total (Memorandum Only)</u>
-	-	-	7,979
-	-	-	140,776
-	-	-	369,085
-	-	-	(249,855)
-	-	-	(17,038)
<u>-</u>	<u>-</u>	<u>-</u>	<u>250,947</u>
49,830	12,340,466	(7,317)	8,294,718
1,246,945	11,847,822	55,855	21,549,954
<u>-</u>	<u>-</u>	<u>-</u>	<u>575</u>
\$ <u>1,296,775</u>	\$ <u>24,188,288</u>	\$ <u>48,538</u>	\$ <u>29,845,247</u>

EAST CLEVELAND CITY SCHOOL DISTRICT

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

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
From Local Sources:			
Property Taxes	\$ 12,765,746	\$ 11,535,077	\$ (1,230,669)
Tuition and Fees	37,589	33,965	(3,624)
Earnings on Investments	1,103,608	997,216	(106,392)
Extracurricular Activities	532	481	(51)
Classroom Materials and Fees	5,895	5,327	(568)
Miscellaneous	-	702,405	702,405
From State Sources:			
Unrestricted Grants-In-Aid	34,846,428	31,487,093	(3,359,335)
Restricted Grants-In-Aid	211,557	191,162	(20,395)
From Federal Sources:			
Unrestricted Grants-In-Aid	378,455	341,970	(36,485)
Total Revenues	<u>49,349,810</u>	<u>45,294,696</u>	<u>(4,055,114)</u>
<u>Expenditures</u>			
Current:			
Instruction:			
Regular	24,632,527	21,687,487	2,945,040
Special	4,084,420	3,596,091	488,329
Vocational	1,827,601	1,609,095	218,506
Other	722,808	636,390	86,418
Support Services:			
Pupils	2,063,685	1,816,953	246,732
Instructional Staff	2,295,962	2,021,459	274,503
Board of Education	259,448	228,429	31,019
Administration	5,727,626	5,042,837	684,789
Fiscal Services	1,137,037	1,001,094	135,943
Business	227,034	199,890	27,144
Operation and Maintenance of Plant	5,732,917	5,047,495	685,422
Pupil Transportation	1,613,000	1,420,151	192,849
Central Services	3,088,949	2,719,637	369,312
Operation of Non-Instructional Services	36,588	32,214	4,374
Extracurricular Activities	427,694	376,559	51,135
Capital Outlay	630,274	554,919	75,355
Total Expenditures	<u>54,507,570</u>	<u>47,990,700</u>	<u>6,516,870</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,157,760)</u>	<u>(2,696,004)</u>	<u>2,461,756</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES (CONTINUED) **FOR THE YEAR ENDED JUNE 30, 2000**

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Assets	114	114	-
Advances - In	184,100	184,100	-
Refund of Prior Year Expenditures	358,441	358,441	-
Transfers - Out	(249,855)	(249,855)	-
Advances - Out	(460,000)	(460,000)	-
Refund of Prior Year Receipts	(170)	(170)	-
Total Other Financing Sources (Uses)	(167,370)	(167,370)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,325,130)	(2,863,374)	2,461,756
Cash Fund Balance, Beginning of Year, as Restated	8,171,971	8,171,971	-
Prior Year Encumbrances Appropriated	573,114	573,114	-
Encumbrances at End of Year	644,797	644,797	-
Total Cash Fund Balance, End of Year	\$ 4,064,752	\$ 6,526,508	\$ 2,461,756

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

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

	Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
From Local Sources:			
Extracurricular Activities	\$ 79,928	\$ 82,350	\$ 2,422
Miscellaneous	415,750	428,351	12,601
From State Sources:			
Unrestricted Grants-In-Aid	2,412,403	2,485,518	73,115
Restricted Grants-In-Aid	839,236	864,672	25,436
From Federal Sources:			
Unrestricted Grants-In-Aid	1,676,144	1,726,945	50,801
Restricted Grants-In-Aid	<u>4,038,060</u>	<u>4,160,446</u>	<u>122,386</u>
Total Revenues	<u>9,461,521</u>	<u>9,748,282</u>	<u>286,761</u>
<u>Expenditures</u>			
Current:			
Instruction:			
Regular	1,909,088	1,648,539	260,549
Special	2,663,208	2,299,738	363,470
Vocational	276,968	239,168	37,800
Adult/Continuing	115,434	99,680	15,754
Other	687	593	94
Supporting Services:			
Pupil	1,072,488	926,117	146,371
Instructional Staff	1,771,265	1,529,526	241,739
Administration	475,188	410,335	64,853
Operation and Maintenance - Plant	991,347	856,050	135,297
Pupil Transportation	34,459	29,756	4,703
Central Services	98,084	84,698	13,386
Operation of Non-Instructional Services	2,966,220	2,561,396	404,824
Extracurricular Activities	<u>270,638</u>	<u>233,702</u>	<u>36,936</u>
Total Expenditures	<u>12,645,074</u>	<u>10,919,298</u>	<u>1,725,776</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,183,553)</u>	<u>(1,171,016)</u>	<u>2,012,537</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

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

	Special Revenue Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Other Financing Sources (Uses)</u>			
Advances - In	460,000	460,000	-
Transfers - In	140,776	140,776	-
Advances-Out	(184,100)	(184,100)	-
Refund of Prior Year Receipts	(16,868)	(16,868)	-
Total Other Financing Sources (Uses)	399,808	399,808	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,783,745)	(771,208)	2,012,537
Cash Fund Balance, Beginning of Year, as Restated	2,463,210	2,463,210	-
Prior Year Encumbrances Appropriated	384,729	384,729	-
Encumbrances at End of Year	593,518	593,518	-
Total Cash Fund Balance, End of Year	\$ 657,712	\$ 2,670,249	\$ 2,012,537

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

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

	Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
From Local Sources:			
Property Taxes	\$ 732,243	\$ 751,526	\$ 19,283
Earnings on Investments	-	214,838	214,838
From State Sources:			
Unrestricted Grants-In-Aid	<u>95,162</u>	<u>97,668</u>	<u>2,506</u>
Total Revenues	<u>827,405</u>	<u>1,064,032</u>	<u>236,627</u>
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	717,152	360,000	357,152
Interest and Fiscal Charges	<u>1,128,744</u>	<u>566,613</u>	<u>562,131</u>
Total Expenditures	<u>1,845,896</u>	<u>926,613</u>	<u>919,283</u>
Excess of Revenues Over (Under) Expenditures	(1,018,491)	137,419	1,155,910
Cash Fund Balance, Beginning of Year	<u>1,088,923</u>	<u>1,088,923</u>	<u>-</u>
Total Cash Fund Balance, End of Year	\$ <u>70,432</u>	\$ <u>1,226,342</u>	\$ <u>1,155,910</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

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

	Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
From Local Sources:			
Property Taxes	\$ 56,848	\$ 103,802	\$ 46,954
Earnings on Investments	252,917	461,815	208,898
Miscellaneous	9,557	10,281	724
From State Sources:			
Restricted Grants-In-Aid	<u>8,794,959</u>	<u>16,059,185</u>	<u>7,264,226</u>
Total Revenues	<u>9,114,281</u>	<u>16,635,083</u>	<u>7,520,802</u>
<u>Expenditures</u>			
Current:			
Instruction:			
Regular	642,051	131,553	510,498
Supporting Services:			
Instructional Staff	275,488	56,446	219,042
Central Services	112,072	22,963	89,109
Capital Outlay	<u>19,893,585</u>	<u>4,076,092</u>	<u>15,817,493</u>
Total Expenditures	<u>20,923,196</u>	<u>4,287,054</u>	<u>16,636,142</u>
Excess of Revenues Over (Under) Expenditures	(11,808,915)	12,348,029	24,156,944
Cash Fund Balance, Beginning of Year	11,825,996	11,825,996	-
Encumbrances at End of Year	<u>4,394</u>	<u>4,394</u>	<u>-</u>
Total Cash Fund Balance, End of Year	\$ <u>21,475</u>	\$ <u>24,178,419</u>	\$ <u>24,156,944</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

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

	Expendable Trust Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues</u>			
From Local Sources:			
Miscellaneous	\$ <u>30,000</u>	\$ <u>404</u>	\$ <u>(29,596)</u>
<u>Expenditures</u>			
Current:			
Instruction:			
Regular	84,154	7,568	76,586
Supporting Services:			
Instructional Staff	<u>1,701</u>	<u>153</u>	<u>1,548</u>
Total Expenditures	<u>85,855</u>	<u>7,721</u>	<u>78,134</u>
Excess of Revenues Over (Under) Expenditures	(55,855)	(7,317)	48,538
Cash Fund Balance, Beginning of Year	<u>55,855</u>	<u>55,855</u>	<u>-</u>
Total Cash Fund Balance, End of Year	\$ <u><u>-</u></u>	\$ <u><u>48,538</u></u>	\$ <u><u>48,538</u></u>

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2000

	<u>Enterprise Funds</u>
<u>Operating Revenue</u>	
Tuition	\$ 12,284
Classroom Materials and Fees	<u>33,673</u>
Total Operating Revenue	<u>45,957</u>
 <u>Operating Expenses</u>	
Salaries and Wages	81,334
Fringe Benefits	6,704
Contractual Services	13,571
Supplies and Materials	125,951
Depreciation Expense	<u>498</u>
Total Operating Expenses	<u>228,058</u>
 Operating Loss	 <u>(182,101)</u>
 <u>Non-Operating Revenue (Expense)</u>	
Operating Grants	4,700
Transfers – In	<u>100,000</u>
Total Non-Operating Revenue (Expense)	<u>104,700</u>
 Net Loss	 (77,401)
 Retained Earnings at Beginning of Year	 <u>224,224</u>
 Retained Earnings at End of Year	 \$ <u><u>146,823</u></u>

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
From Local Sources:			
Tuition and Fees	\$ 48,499	\$ 12,284	\$ (36,215)
Classroom Materials and Fees	132,945	33,673	(99,272)
From State Sources:			
Unrestricted Grants-In-Aid	<u>18,556</u>	<u>4,700</u>	<u>(13,856)</u>
Total Revenues	<u>200,000</u>	<u>50,657</u>	<u>(149,343)</u>
<u>Expenses</u>			
Salaries and Wages	149,119	79,467	69,652
Fringe Benefits	12,694	6,765	5,929
Contractual Services	25,699	13,695	12,004
Supplies and Materials	341,694	182,093	159,601
Other	<u>265</u>	<u>140</u>	<u>125</u>
Total Expenses	<u>529,471</u>	<u>282,160</u>	<u>247,311</u>
Excess of Revenues Over (Under) Expenses	(329,471)	(231,503)	97,968
<u>Other Financing Sources (Uses)</u>			
Transfers - In	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(229,471)	(131,503)	97,968
Cash Fund Balance, Beginning of Year	224,740	224,740	-
Prior Year Encumbrances Appropriated	4,730	4,730	-
Encumbrances at End of Year	<u>56,266</u>	<u>56,266</u>	<u>-</u>
Total Cash Fund Balance, End of Year	\$ <u>56,265</u>	\$ <u>154,233</u>	\$ <u>97,968</u>

See Accompanying Notes to the General Purpose Financial Statements

EAST CLEVELAND CITY SCHOOL DISTRICT

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2000

	<u>Enterprise</u>
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 33,673
Cash Received from Tuition Payments	12,284
Cash Payments to Suppliers for Goods and Services	(140,303)
Cash Payments to Employees for Services	(78,747)
Cash Payments for Employee Benefits	<u>(6,704)</u>
Net Cash Used for Operating Activities	<u>(179,797)</u>
Cash Flows from Non-capital Financing Activities:	
Operating Grants Received	4,700
Operating Transfers – In	<u>100,000</u>
Net Cash Provided by Non-capital Financing Activities	<u>104,700</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(140)</u>
Net Decrease in Cash and Cash Equivalents	(75,237)
Cash and Cash Equivalents – Beginning of Year	<u>229,470</u>
Cash and Cash Equivalents – End of Year	\$ <u><u>154,233</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</u>	
Operating Loss	\$ (182,101)
Adjustments:	
Depreciation	498
Increase (Decrease) in Liabilities:	
Accounts Payable	(781)
Accrued Wages and Benefits	2,300
Intergovernmental Payable	<u>287</u>
Total Adjustments	<u>2,304</u>
Net Cash Used for Operating Activities	\$ <u><u>(179,797)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The East Cleveland City School District (School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 290 classified employees, 460 certificated full-time teaching personnel, and 48 administrators who provide services to 6,000 students and other community members.

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

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

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (CONTINUED)

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

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. The following fund types and account groups are used by the District:

Governmental Funds

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

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

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

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

Capital Projects Funds - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Proprietary Funds

The proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the District's proprietary fund type:

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

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

Fiduciary Funds

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

Account Groups

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

General Fixed Asset Account Group - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Debt Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues, expenditures, expenses and transfers, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types and expendable trust funds use the modified accrual basis of accounting. Under this basis, revenues and other financing sources are recognized in the accounting period in which they become available and measurable to finance current District operations. Expenditures and other financing uses are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING (CONTINUED)

Property tax receivables and revenues are susceptible to accrual if the date upon which the taxes are levied falls on or before June 30, 2000. Such revenue is to be recognized in the year for which it is levied or the year in which it is available for appropriation, provided it is available. Property taxes are considered available if they are due, or past due and received within the available period, and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes not considered available are deferred.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

Tax Budget

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

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

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except for agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Lapsing of Appropriations

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

E. CASH AND CASH EQUIVALENTS

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

During fiscal year 2000, investments were limited to Victory Federal Money Market and STAR Ohio, the State Treasurer's Investment Pool and federal government agency securities. All investments of the School District had a maturity of two years or less. Investments are reported at fair value which is based on quoted market prices.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$1,111,145, which includes \$563,912 assigned from other School District funds.

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

F. RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the creation of a reserve for budget stabilization. See Note 15 for additional information regarding reservations of fund balances.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. INVENTORY

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

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. FIXED ASSETS AND DEPRECIATION

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District maintains a capitalization threshold of \$250. The School District does not possess any infrastructure.

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

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

J. INTERGOVERNMENTAL REVENUES

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

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. INTERGOVERNMENTAL REVENUES (CONTINUED)

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

ENTITLEMENTS

General Fund

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

Special Revenue Fund

- Disadvantaged Pupil Impact Aid

NON-REIMBURSABLE GRANTS

Special Revenue Funds

Auxiliary Service Fund	Title II – Eisenhower
Career Education Development	Title VI-B
Professional Development	Carl Perkins Grant
Ed Management Information System	Title I
Public Preschool Grant	Title I Even Start
Discipline Intervention Grant	Title VI – Gifted
Ohio School Net	Drug Free Grant
Technology Equity	Pre School Handicap Grant
Alternative School Grant	21 st Century Learning Grant
Ohio Reads Classroom Grant	Performance Incentive Grant
School Readiness Resource Grant	School to Work Grant
Parental Involvement Grant	Title VI-R Class Reduction
Adult Basic Education	Parent Mentor Grant

REIMBURSABLE GRANTS

Special Revenue Funds

- National School Lunch Program
- Government Donated Commodities
- School Breakfast Program
- Summer Food Service Program for Children
- CAFS Medicaid Reimbursement
- JTPA Step Program
- Ohio Hunger Task Force – After School

Grants and entitlements amounted to seventy-four percent of the School District's governmental funds operating revenue during the 2000 fiscal year.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. INTERFUND ASSETS/LIABILITIES

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

Bonds are reported as a liability of the general long-term obligations account group until due.

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

M. INTERFUND TRANSACTIONS

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

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. FUND BALANCE RESERVES

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

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

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

P. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 2 – DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

A. DEPOSITS

At fiscal year-end, the carrying amount of the School District's deposits was \$12,769,930 and the bank balance was \$13,436,187. \$645,110 of the bank balance was covered by federal depository insurance. \$12,791,077 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposits of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. INVESTMENTS

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

<u>Description</u>	<u>Risk Category</u> <u>3</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Repurchase Agreements	X	\$ 2,801,754	\$ 2,801,754
Federal Home Loan Discount Notes	X	13,721,442	13,721,442
STAROhio*		4,720,562	4,720,562
Victory Federal Money Market*		<u>956,553</u>	<u>956,553</u>
Total Investments		\$ <u>22,200,311</u>	\$ <u>22,200,311</u>

* Noncategorized

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

	<u>Cash and</u> <u>Cash Equivalents/</u> <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 34,970,241	\$ -
Investments:		
Repurchase Agreements	(2,801,754)	2,801,754
Federal Home Loan Discount Notes	(13,721,442)	13,721,442
STAROhio	(4,720,562)	4,720,562
Victory Federal Money Market	<u>(956,553)</u>	<u>956,553</u>
GASB Statement No. 3	\$ <u>12,769,930</u>	\$ <u>22,200,311</u>

NOTE 3 - PROPERTY TAXES

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

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 3 - PROPERTY TAXES (CONTINUED)

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

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

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

2000 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which property tax revenues were based are as follows:

Agricultural/Residential and Other Real Estate	\$ 189,704,790
Public Utility Personal	19,134,950
Tangible Personal Property	<u>13,568,503</u>
Total	<u>\$ 222,408,243</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 92.50

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. This year, the June 2000 tangible personal property tax settlement was not received until July 2000.

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

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 3 - PROPERTY TAXES (CONTINUED)

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes are available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$1,118,733 and is recognized as revenue. \$1,038,431 was available to the general fund, \$70,433 was available to the debt service fund and \$9,869 was available to the capital projects fund.

NOTE 4 - OPERATING TRANSFERS

Following is a summary of operating transfers for all funds for June 30, 2000:

<u>Fund</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
General	\$ -	\$ 249,855
Special Revenue	140,776	-
Enterprise	100,000	-
Agency	9,079	-
Total All Funds	\$ <u>249,855</u>	\$ <u>249,855</u>

NOTE 5 - FIXED ASSETS

A. GENERAL FIXED ASSETS

Changes in general fixed assets during fiscal year 2000 were as follows:

	Balance at July 1, <u>1999</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2000</u>
Land and Land Improvements	\$ 498,111	\$ 407,065	\$ -	\$ 905,176
Buildings and Building Improvements	20,268,415	2,181,762	-	22,450,177
Furniture, Fixtures and Equipment	9,087,691	684,968	-	9,772,659
Vehicles	<u>594,296</u>	<u>85,867</u>	<u>-</u>	<u>680,163</u>
Total	\$ <u>30,448,513</u>	\$ <u>3,359,662</u>	\$ <u>-</u>	\$ <u>33,808,175</u>

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 5 - FIXED ASSETS (CONTINUED)

B. FUND FIXED ASSETS

All Enterprise Fund fixed assets relate to the Adult Education Fund. The balance as of June 30, 2000 was as follows:

Furniture, Fixtures and Equipment	\$ 5,120
Less: Accumulated Depreciation	<u>(4,242)</u>
Fixed Assets Net of Accumulated Depreciation	\$ <u><u>878</u></u>

NOTE 6 – LONG-TERM OBLIGATIONS

The changes in the long-term obligations of the School District for the year ended June 30, 2000 are as follows:

	<u>Balance</u> <u>6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/00</u>
<u>General Obligation Bonds</u>				
Classroom Facilities Bonds				
1999 Issue 5.017% due 12/1/2020	\$ <u>10,560,000</u>	\$ <u>-</u>	\$ <u>360,000</u>	\$ <u>10,200,000</u>
<u>Other Long-Term Obligations</u>				
Pension Obligation	\$ 343,737	\$ 409,502	\$ 343,737	\$ 409,502
Compensated Absences	<u>880,931</u>	<u>5,910,603</u>	<u>-</u>	<u>6,791,534</u>
Total	<u>1,224,668</u>	<u>6,320,105</u>	<u>343,737</u>	<u>7,201,036</u>
 Total Long-term Obligations	 \$ <u>11,784,668</u>	 \$ <u>6,320,105</u>	 \$ <u>703,737</u>	 \$ <u>17,401,036</u>

The general obligation bond is paid from the Debt Service Fund. The primary source of repayment for the bond is operating revenues and property taxes. The pension obligation and compensated absences will be paid from the fund from which the employee is paid.

For fiscal year 2000, the District changed the calculation of Long-Term Sick Leave to include a vesting schedule, based on the employee's years of service. The District assumed that employees with 10 years of experience had a 50 percent chance of becoming eligible to retire. In addition, employees with over 15 years of experience had a 100 percent chance of becoming eligible to retire. Based on this, there was a significant increase in the compensated Absence Liability reported in the Long-Term Debt Account Group.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Principal and interest requirements to retire the long-term debt obligation outstanding at June 30, 2000 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 370,000	\$ 430,878	\$ 800,878
2002	380,000	418,668	798,668
2003	395,000	405,367	800,367
2004	410,000	391,148	801,148
2005	425,000	375,978	800,978
2006-2010	2,104,383	1,896,706	4,001,089
2011-2015	2,055,617	1,942,133	3,997,750
2016-2020	3,300,000	700,750	4,000,750
2021	<u>760,000</u>	<u>38,000</u>	<u>798,000</u>
Totals	\$ <u>10,200,000</u>	\$ <u>6,599,628</u>	\$ <u>16,799,628</u>

NOTE 7 - COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." During fiscal year 2000, the District changed the methodology of calculating compensated absences from the termination to the vesting method.

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

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

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 7 - COMPENSATED ABSENCES (CONTINUED)

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

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

NOTE 8 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains Enterprise Funds in which the operations are accounted for, financed and recorded in a manner similar to that of private enterprises whereby it is the District's intent that the costs of providing these goods or services be financed primarily through user charges.

Segment information for the Enterprise Funds is summarized as follows:

For the Year Ended	Uniform School Supply Fund	Special Rotary Fund	Adult Education Fund	Total
<u>June 30, 2000:</u>				
Operating Revenues	\$ 33,673	\$ -	\$ 12,284	\$ 45,957
Depreciation Expense	-	-	(498)	(498)
Operating Loss	(89,885)	-	(92,216)	(182,101)
Operating Grants	-	-	4,700	4,700
Operating Transfers - In	-	-	100,000	100,000
Net Income (Loss)	(89,885)	-	12,484	(77,401)
<u>As of June 30, 2000:</u>				
Cash Used From Operating Activities	(90,666)	-	(89,131)	(179,797)
Net Working Capital	135,665	1,628	8,652	145,945
Total Assets	135,665	1,628	17,818	155,111
Total Equity	135,665	1,628	9,530	146,823
Encumbrances at June 30, 2000	55,337	-	929	56,266

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 9 - RETIREMENT PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The East Cleveland City School District contributes to the School Employee Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute nine percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 2000 and 1999. 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 School District's contributions to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$540,530, \$504,349, and \$621,561, respectively, equal to the required contributions for each year.

B. STATE TEACHERS RETIREMENT SYSTEM

The East Cleveland City School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report. The report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the East Cleveland City School District is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations for fiscal years 2000 and 1999. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,494,991, \$1,543,258, and \$2,552,886, respectively; 100 percent has been contributed for fiscal years 2000, 1999, and 1998.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. STATE EMPLOYEES RETIREMENT SYSTEM

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

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 10 - POSTEMPLOYMENT BENEFITS (CONTINUED)

A. STATE EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase of 2.2 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go-basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188 million. The number of participants currently receiving health care benefits is approximately 51,000. For the year ended June 30, 2000, the District contributed \$485,618 to fund post-employment benefits, including the surcharge.

B. STATE TEACHERS RETIREMENT SYSTEM

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

The RC grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal years ended June 30, 2000 and 1999, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$1,993,321 for fiscal year 2000. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999. For the year ended June 30, 1999, the net health care costs paid by STRS Ohio were \$249,929,000. There were 95,796 eligible benefit recipients.

NOTE 11 - HEALTH CARE BENEFITS

The School District provides life insurance and accidental death and dismemberment insurance in the amount of \$30,000 for teachers and classified employees, \$15,000 for part-time employees, and one and one-half times their salaries for administrators. The insurance is provided through Medical Life Insurance Company.

The School District also provides medical/surgical and dental benefits primarily through Medical Mutual to all eligible employees.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 12 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2000, the School District contracted with Nationwide for property insurance of \$85,946,200, fleet insurance of \$1,000,000, and liability coverage of \$5,000,000 with a \$5,000 deductible.

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

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

B. WORKER'S COMPENSATION

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

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

Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Budgetary Basis) and Actual – All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash or encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds.
- (d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds are as follows:

<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses - All Governmental Fund Types</u>					
<u>Projects</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ (3,191,771)	\$ (896,490)	\$ 49,830	\$ 12,340,466	\$ (7,317)
<u>Increase (Decrease) Due to</u>					
Revenue accruals	715,382	86,136	87,589	11,957	-
Advance in	184,100	460,000	-	-	-
Expenditure accruals	533,712	356,764	-	-	-
Advance out	(460,000)	(184,100)	-	-	-
Encumbrances	<u>(644,797)</u>	<u>(593,518)</u>	<u>-</u>	<u>(4,394)</u>	<u>-</u>
Budget Basis	\$ <u>(2,863,374)</u>	\$ <u>(771,208)</u>	\$ <u>137,419</u>	\$ <u>12,348,029</u>	\$ <u>(7,317)</u>

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

	Net Income/Excess of Revenues and Operating Transfers Over Expenses <u>Proprietary Fund Type</u>
	<u>Enterprise</u>
GAAP Basis	\$ (77,401)
Net adjustments for expense accruals	2,164
Encumbrances	<u>(56,266)</u>
Budget Basis	<u>\$ (131,503)</u>

NOTE 14 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio School districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 15 - RESERVATIONS OF FUND BALANCE

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

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

The following cash basis information identifies the changes in fund balance reserves for textbooks and instructional materials, capital improvements, and budget stabilization during fiscal year 2000. Disclosure of this information is required by State Statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Total</u>
Balance June 30, 1999	\$ -	\$ -	\$ 750,982	\$ 750,982
Current Year Set Aside Requirement	914,084	914,084	-	1,828,168
Offset Credits	-	(10,560,000)	-	(10,560,000)
Qualifying Expenditures	(691,287)	(547,376)	-	(1,238,663)
Balance June 30, 2000	\$ <u>222,797</u>	\$ <u>(10,193,292)</u>	\$ <u>750,982</u>	\$ <u>(9,219,513)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	\$ <u>222,797</u>	\$ <u>(10,193,292)</u>	\$ <u>750,982</u>	\$ <u>(9,219,513)</u>
Set-aside Reserve Balance as of June 30, 2000	\$ <u>222,797</u>	\$ <u>-</u>	\$ <u>750,982</u>	\$ <u>(973,779)</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$973,779.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 16 - CONTINGENCIES/PENDING LITIGATION

A. GRANTS

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. LITIGATION

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

NOTE 17 – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2000 were as follows:

<u>Fund Type/Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 744,472	\$ -
Special Revenue Funds:		
Food Services	-	25,000
Other Grant	-	12,220
District Managed Student Activity	-	113,500
Auxiliary Service	-	40,000
Alternative School Grant	-	100,000
Adult Basic Education	-	25,000
JTPA	-	60,602
Disadvantaged Vocational	-	25,000
Title I	-	100,000
Drug Free Grant	-	50,000
PreSchool Handicap	-	25,000
Project East Goals 2000	-	163,150
Total Special Revenue	-	739,472
Enterprise Fund:		
Adult Education	-	5,000
Total All Funds	\$ <u>744,472</u>	\$ <u>744,472</u>

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 18 – RELATED ORGANIZATION

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

NOTE 19 – PUBLIC ENTITY RISK POOL

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

NOTE 20 – JOINTLY GOVERNED ORGANIZATION

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

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1999. The electric purchase program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board issued \$119,140,000 in debt, in fiscal year 1999, to purchase eight years of electricity from Cleveland Electric Illuminating Company (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

EAST CLEVELAND CITY SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

NOTE 21 – PRIOR PERIOD ADJUSTMENT

In the prior year, two audit adjustments were made based on information obtained during normal auditing procedures. Although the GAAP-basis financial statements were adjusted, the cash basis financial statements were not. Based on this, the following prior period adjustment was made:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Cash Fund Balance, Beginning	\$ 6,308,081	\$ 2,515,901
Prior period adjustment	<u>1,863,890</u>	<u>(52,691)</u>
Cash Fund Balance, Beginning, as Restated	\$ <u>8,171,971</u>	\$ <u>2,463,210</u>

NOTE 22 – COMPLIANCE

Per ORC Section 5705.39, the total appropriation from each fund should not exceed the total estimated revenue. For fiscal year 2000, the following fund had appropriations in excess of estimated revenues:

<u>Fund</u>	<u>Unfavorable Variance</u>
Special Revenue Funds:	
Eisenhower Grant	\$7,653

Per ORC Section 5705.41(B), no subdivision or taxing unit is to expend money unless it has been appropriated. For fiscal year 2000, the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Unfavorable Variance</u>
Special Revenue Funds:	
Other Local Grants	\$ 34,966
District Managed Activity Funds	30,328
Career Development	31,131
Miscellaneous Tech Grant	4,051
Alternative School Grant	2,170
JTPA Step	39,311
Title VI-B	78,158
Vocation Education – Carl Perkins	78,769
Drug Free	35,162
Preschool Handicap	4,671
Other Federal Grants	36,093

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY NUMBERS</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>NON-CASH DISBURSEMENTS</u>
U.S. DEPARTMENT OF AGRICULTURE						
<i>Pass-Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$0	\$72,496	\$0	\$66,947
School Breakfast Program	10.553	04390105PU0099	73,118	0	73,118	0
School Breakfast Program		04390105PU0000	<u>191,842</u>	<u>0</u>	<u>191,842</u>	<u>0</u>
Subtotal CFDA 10.553			264,960	0	264,960	0
National School Lunch Program	10.555	03 PU 98/04PU 99	1,263,013	0	1,263,013	0
Summer Food Service Program for Children	10.559	N/A	<u>71,521</u>	<u>0</u>	<u>71,521</u>	<u>0</u>
Total U.S. Dept. of Agriculture - Nutrition Cluster			<u>1,599,494</u>	<u>72,496</u>	<u>1,599,494</u>	<u>66,947</u>
U.S. DEPARTMENT OF DEFENSE						
<i>Direct Assistance:</i>						
Junior ROTC	12.000	N/A	<u>6,228</u>	<u>0</u>	<u>6,228</u>	<u>0</u>
U.S. DEPARTMENT OF LABOR						
<i>Pass-Through the Cuyahoga County Dept. of Entitlement/Employment Services</i>						
Job Training Partnership Act	17.246	SYETP & CY 00	0	0	1,408	0
		SYETP & CY 98	0	0	5,599	0
		SYETP & CY 99	<u>55,939</u>	<u>0</u>	<u>58,327</u>	<u>0</u>
Subtotal CFDA 17.246			55,939	0	65,334	0
<i>Pass-Through the Ohio Department of Education:</i>						
School to Work	17.249	43901 WK-BE 00 98	50,087	0	54,378	0
School to Work		43901 WK-BE 00 99	<u>0</u>	<u>0</u>	<u>16,506</u>	<u>0</u>
Subtotal CFDA 17.249			<u>50,087</u>	<u>0</u>	<u>70,884</u>	<u>0</u>
Total U.S. Department of Labor			<u>106,026</u>	<u>0</u>	<u>136,218</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Pass-Through Ohio Hunger Task Force:</i>						
Child Care Development Block Grant	93.575	N/A	<u>127,451</u>	<u>0</u>	<u>127,451</u>	<u>0</u>

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

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY NUMBERS	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION						
<i>Pass-Through Ohio Department of Education:</i>						
Adult Basic and Literacy Education	84.002	43901 AB-S1 98	0	0	38,402	0
		43901 AB-S1 99	69,545	0	24,948	0
			<u>0</u>	<u>0</u>	<u>54,059</u>	<u>0</u>
Subtotal CFDA 84.002			69,545	0	117,409	0
Title 1 Education Consolidation Improvement Act	84.010	43901 C1-S1 99	224,226	0	798,458	0
		43901 C1-S1 99C	295,502	0	295,502	0
		43901 C1-S1 00	<u>2,353,107</u>	<u>0</u>	<u>1,421,389</u>	<u>0</u>
Subtotal CFDA 84.010			2,872,835	0	2,515,349	0
Special Education Cluster: Education Handicapped Act - 6B	84.027	43901 6B- 97 P	0	0	2,375	0
		43901 6B-PM 99	17,500	0	14,204	0
		43901 6B-SF 98 P	194,567	0	272,191	0
		43901 6B-SF 99 P	<u>202,767</u>	<u>0</u>	<u>179,089</u>	<u>0</u>
Subtotal CFDA 84.027			414,834	0	467,859	0
Education Handicapped - Preschool 6B	84.173	43901 PG-S1 97 P	0	0	1,059	0
		43901 PG-S1 98 P	0	0	19,540	0
		43901 PG-S1 99 P	<u>7,874</u>	<u>0</u>	<u>10,126</u>	<u>0</u>
Subtotal CFDA 84.173			7,874	0	30,725	0
Total Special Education Cluster			422,708	0	498,584	0
Vocational Education - Basic Grant	84.048	43901 20-C1 99	28,087	0	84,314	0
		43901 20-C1 99 C	0	0	8,565	0
		43901 20-C1 00	<u>175,624</u>	<u>0</u>	<u>94,036</u>	<u>0</u>
Subtotal CFDA 84.048			203,711	0	186,915	0
Drug Free Schools and Communities	84.186	43901 DR-S1 98	10,000	0	10,000	0
		43901 DR-S1 98 C	28,782	0	28,782	0
		43901 DR-S1 99	0	0	24,033	0
		43901 DR-S1 00	<u>19,465</u>	<u>0</u>	<u>22,038</u>	<u>0</u>
Subtotal CFDA 84.186			58,247	0	84,853	0
Goals 2000	84.276	43901 G2-S1 00	48,705	0	400	0
		43901 G2-S1 99	<u>0</u>	<u>0</u>	<u>22,158</u>	<u>0</u>
Subtotal CFDA 84.276			48,705	0	22,558	0
Eisenhower Professional Development State Grant	84.281	43901 MS-S1 99	0	0	36,519	0
		43901 MS-S1 99 C	16,760	0	18,214	0
		43901 MS-S1 99 C	22,347	0	3,666	0
		43901 MS-S1 00	<u>17,318</u>	<u>0</u>	<u>14,096</u>	<u>0</u>
Subtotal CFDA 84.281			56,425	0	72,495	0
21 st Century Community Learning Center Program	84.287B	S287B000254	0	0	130,234	0
Even Start Family Literacy	84.213	43901 EV-S1 00	54,758	0	50,621	0
Class Size Reduction Subsidy	84.340	43901 CR-S1 00	106,492	0	221,053	0
Innovative Education Program Strategy	84.298	43901 C2-S1 98 C	0	0	632	0
		43901 C2-S1 99	22,817	0	20,811	0
		43901 C2-S1 99 C	43,834	0	28,517	0
		43901 C2-S1 00	<u>29,774</u>	<u>0</u>	<u>24,537</u>	<u>0</u>
Subtotal CFDA 84.298			96,425	0	74,497	0
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,989,851</u>	<u>0</u>	<u>3,974,568</u>	<u>0</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$5,829,050</u>	<u>\$72,496</u>	<u>\$5,843,959</u>	<u>\$66,947</u>

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

(CFDA) Catalog of Federal Domestic Assistance

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

NOTE C - NATIONAL SCHOOL LUNCH AND SPECIAL MILK PROGRAMS

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

N/A - Not applicable

CFDA - Catalog of Federal Domestic Assistance

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the East Cleveland City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 16, 2001, in which report we noted the District changed its accounting for compensated absences. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10818-001 and 2000-10818-002. We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 16, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-10818-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We considered the reportable condition described above, item 2000-10818-003, to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 16, 2001.

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

Jim Petro
Auditor of State

November 16, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Compliance

We have audited the compliance of the East Cleveland City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 16, 2001.

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

Jim Petro
Auditor of State

November 16, 2001

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

SCHEDULE OF FINDINGS

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010 - Title I Nutrition Cluster: 10.550 - Food Distribution 10.553 - School Breakfast Program 10.555 - National School Lunch Program 10.559 - Summer Food Service Program for Children
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

SCHEDULE OF FINDINGS

SUMMARY OF AUDITOR'S RESULTS

(Continued)

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

Finding Number	2000-10818-001
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IRC 26 U.S.C. Section 3403, states that employers are liable for the payment of the taxes deducted and withheld. Section 3404, states the return of the amount deducted and withheld shall be made by the appropriate officer of the governmental employer.

During 1999, the District severed their relationship with Automatic Data Processing (ADP) and began processing payroll tax withholdings and reporting in-house. ADP had been responsible for most significant aspects of the District's payroll, including the remittance of taxes to the appropriate entities and the filing of the District's tax information. When the District processed payroll, the withholdings were placed in a payroll sweep account. However, the withholdings were not regularly transmitted to the Internal Revenue Service (IRS), the Ohio Department of Taxation and the City of Cleveland Heights. Furthermore, ADP continued filing the District's tax information with these entities but all the reports totaled zero. The City of East Cleveland received their withholdings due to the fact that an employee from the City picks up their check regularly.

In December 1999, the Ohio Department of Taxation notified the Treasurer that they had not received any money from the District for calendar year 1999. Upon investigation, the Treasurer discovered that no entities had received the withholdings and the money was still in the payroll sweep account. On December 29, 1999, the Treasurer wire transferred \$4,502,167 to the IRS, \$1,085,825 to the Ohio Department of Taxation and \$139,500 to the City of Cleveland Heights.

The IRS assessed the District \$137,679 for interest on the underpayment of taxes. This amount was paid on April 10, 2001.

We recommend the District perform a monthly bank reconciliation of the payroll sweep account which should be reviewed and approved by the Treasurer. This would have disclosed the unexpected significant build-up of the account balance.

Finding Number	2000-10818-002
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Ohio Rev. Code § 117.38, provides that GAAP-basis entities must file annual reports with the Auditor of State within 150 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The District's annual report, for the fiscal year ending June 30, 2000, was due on November 27, 2000 but was not filed until August 31, 2001.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

SCHEDULE OF FINDINGS

SUMMARY OF AUDITOR'S RESULTS

(Continued)

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

(Continued)

Finding Number	2000-10818-003
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Cash balances include cash in bank accounts and other imprest accounts such as payroll. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, most entities perform a monthly bank reconciliation. This reconciliation verifies the cash balance reported in the general ledger agrees to the adjusted balance per the bank statement.

A review of the cash cycle disclosed the District's general bank account was not reconciled to the general ledger during fiscal year 2000. As a result, the District retained the services of the Auditor of State's - Local Government Services division to reconcile the account. The results disclosed the general ledger was understated by \$231,643. This amount included unbooked checks, bank charges and investment income. The financial statements reflect the correcting adjustments.

The District utilizes a payroll sweep account to segregate payroll activity and maximize investment income. Theoretically, this account should zero out on a regular basis once the checks are cashed and the investment income earned is transferred to the District's primary investment account and booked. However, the District has not reconciled their payroll sweep account for the last several years. As of June 30, 2000, the bank balance was \$706,162 and the total outstanding checks were only \$77,395. Most of these outstanding checks were several months to two years old. As of June 30, 2001, only \$3,758 of the prior year's outstanding checks were cashed. Therefore, the remaining balance is being accounted for as unclaimed funds. Furthermore, this account earned \$138,827 in investment income which was not recorded on the District's books. The financial statements reflect the correcting adjustments.

We recommend the District perform a monthly bank reconciliation of their general and payroll sweep account which is reviewed and approved by the Treasurer.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**EAST CLEVELAND CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

Finding Number	Finding Summary	Fully Corrected	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
1999-10818-001	Bank accounts were not reconciled	No	Same situation exists in fiscal year 2000
1999-10818-002	Indirect cost was not properly calculated for the Title I federal program.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

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EAST CLEVELAND CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2001**