



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

March 17, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$8,797,368	\$2,130,143	\$11,006	\$3,260,405
Investments	1,600,000	0	0	0
Receivables:				
Taxes	45,414,488	0	0	2,575,557
Accounts	23,980	18,762	0	520
Intergovernmental	2,756,417	267,271	0	0
Accrued Interest	224,604	0	0	0
Interfund Receivable	613,967	5,731	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	217,708	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,043,160	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Long-term Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$60,691,692	\$2,421,907	\$11,006	\$5,836,482

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$184,353	\$2,225,085	\$76,441	\$0	\$0	\$16,684,801
0	0	0	0	0	1,600,000
0	0	0	0	0	47,990,045
1,954	0	0	0	0	45,216
176,602	0	0	0	0	3,200,290
0	0	0	0	0	224,604
0	0	0	0	0	619,698
7,776	0	0	0	0	7,776
2,025	0	0	0	0	219,733
0	0	0	0	0	1,043,160
21,509	0	0	44,132,105	0	44,153,614
0	0	0	0	11,006	11,006
0	0	0	0	12,327,911	12,327,911
<u>\$394,219</u>	<u>\$2,225,085</u>	<u>\$76,441</u>	<u>\$44,132,105</u>	<u>\$12,338,917</u>	<u>\$128,127,854</u>

(continued)

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$113,718	\$76,163	\$0	\$23,976
Contracts Payable	25,436	0	0	54,984
Accrued Wages and Benefits	860,531	57,082	0	19,277
Compensated Absences Payable	134,469	2,861	0	0
Interfund Payable	0	542,307	0	0
Intergovernmental Payable	1,317,814	77,916	0	17,130
Deferred Revenue	38,190,197	0	0	2,136,212
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	40,642,165	756,329	0	2,251,579
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	1,302,363	561,235	0	533,005
Reserved for Inventory	217,708	0	0	0
Reserved for Property Taxes	7,224,291	0	0	439,345
Reserved for Budget Stabilization	1,043,160	0	0	0
Unreserved, Undesignated	10,262,005	1,104,343	11,006	2,612,553
Total Fund Equity and Other Credits	20,049,527	1,665,578	11,006	3,584,903
Total Liabilities, Fund Equity and Other Credits	\$60,691,692	\$2,421,907	\$11,006	\$5,836,482

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$34,121	\$9,918	\$0	\$0	\$0	\$257,896
18,408	0	0	0	0	98,828
2,178	9,918	0	0	0	948,986
35,330	0	0	0	6,981,853	7,154,513
77,391	0	0	0	0	619,698
35,326	325	0	0	834,800	2,283,311
1,760	0	0	0	0	40,328,169
0	0	76,441	0	0	76,441
0	0	0	0	1,600,000	1,600,000
0	379,998	0	0	0	379,998
0	0	0	0	22,264	22,264
0	0	0	0	2,900,000	2,900,000
<u>204,514</u>	<u>400,159</u>	<u>76,441</u>	<u>0</u>	<u>12,338,917</u>	<u>56,670,104</u>
0	0	0	44,132,105	0	44,132,105
189,705	1,824,926	0	0	0	2,014,631
0	0	0	0	0	2,396,603
0	0	0	0	0	217,708
0	0	0	0	0	7,663,636
0	0	0	0	0	1,043,160
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,989,907</u>
<u>189,705</u>	<u>1,824,926</u>	<u>0</u>	<u>44,132,105</u>	<u>0</u>	<u>71,457,750</u>
<u>\$394,219</u>	<u>\$2,225,085</u>	<u>\$76,441</u>	<u>\$44,132,105</u>	<u>\$12,338,917</u>	<u>\$128,127,854</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	General	Special Revenue
Revenues		
Taxes	\$46,832,626	\$0
Intergovernmental	21,727,441	6,110,987
Interest	1,757,782	1,002
Tuition and Fees	5,055,785	892,844
Extracurricular Activities	0	955,618
Rentals	44,209	0
Gifts and Donations	0	199,929
Miscellaneous	687,344	174,005
	Total Revenues	8,334,385
Expenditures		
Current:		
Instruction:		
Regular	29,267,284	2,298,824
Special	6,855,424	490,085
Vocational	1,413,462	246,297
Adult/Continuing	7,547	153,303
Support Services:		
Pupils	5,942,620	231,869
Instructional Staff	3,345,625	930,465
Board of Education	288,511	0
Administration	4,978,662	136,380
Fiscal	1,444,638	6,919
Business	1,204,792	1,961
Operation and Maintenance of Plant	8,250,470	0
Pupil Transportation	2,157,683	5,163
Central	2,071,196	52,921
Operation of Non-Instructional Services	84,619	3,032,401
Extracurricular Activities	690,791	280,634
Capital Outlay	0	49,726
Debt Service:		
Principal Retirement	381,166	0
Interest and Fiscal Charges	140,988	0
	Total Expenditures	7,916,948
	Excess of Revenues Over (Under) Expenditures	417,437
Other Financing Sources (Uses)		
Proceeds from the Sale of Long-Term Notes	0	0
Proceeds from Sale of Fixed Assets	1,306	0
Operating Transfers In	2,236,406	534,849
Operating Transfers Out	(777,286)	(100,595)
	Total Other Financing Sources (Uses)	434,254
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	9,040,135	851,691
Fund Balances Beginning of Year	11,012,531	813,887
Decrease in Reserve for Inventory	(3,139)	0
Fund Balances End of Year	\$20,049,527	\$1,665,578

See accompanying notes to the general purpose financial statements.

Debt Service	Capital Projects	Totals (Memorandum Only)
\$0	\$2,641,022	\$49,473,648
0	550,594	28,389,022
0	0	1,758,784
0	0	5,948,629
0	0	955,618
0	0	44,209
0	0	199,929
0	149,998	1,011,347
<u>0</u>	<u>3,341,614</u>	<u>87,781,186</u>
0	0	31,566,108
0	0	7,345,509
0	0	1,659,759
0	0	160,850
0	0	6,174,489
0	0	4,276,090
0	0	288,511
0	0	5,115,042
0	0	1,451,557
0	0	1,206,753
0	0	8,250,470
0	0	2,162,846
0	0	2,124,117
0	0	3,117,020
0	0	971,425
0	6,433,472	6,483,198
0	0	381,166
1,611	0	142,599
<u>1,611</u>	<u>6,433,472</u>	<u>82,877,509</u>
<u>(1,611)</u>	<u>(3,091,858)</u>	<u>4,903,677</u>
0	1,600,000	1,600,000
0	0	1,306
0	0	2,771,255
0	0	(877,881)
<u>0</u>	<u>1,600,000</u>	<u>3,494,680</u>
(1,611)	(1,491,858)	8,398,357
12,617	5,076,761	16,915,796
<u>0</u>	<u>0</u>	<u>(3,139)</u>
<u>\$11,006</u>	<u>\$3,584,903</u>	<u>\$25,311,014</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BEUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$42,400,000	\$42,437,086	\$37,086
Intergovernmental	19,674,000	21,728,209	2,054,209
Interest	1,050,000	1,533,178	483,178
Tuition and Fees	1,712,930	3,426,168	1,713,238
Extracurricular Activities	0	0	0
Rentals	85,000	44,209	(40,791)
Gifts and Donations	0	0	0
Miscellaneous	144,122	695,977	551,855
<i>Total Revenues</i>	<u>65,066,052</u>	<u>69,864,827</u>	<u>4,798,775</u>
Expenditures			
Current:			
Instruction:			
Regular	28,848,160	29,750,369	(902,209)
Special	7,008,808	6,882,333	126,475
Vocational	1,409,016	1,433,361	(24,345)
Adult/Continuing	13,160	7,559	5,601
Support Services:			
Pupils	5,886,217	5,976,209	(89,992)
Instructional Staff	3,306,679	3,409,393	(102,714)
Board of Education	316,270	299,636	16,634
Administration	4,989,510	5,062,551	(73,041)
Fiscal	1,366,682	1,452,457	(85,775)
Business	1,398,521	1,360,585	37,936
Operation and Maintenance of Plant	8,749,714	8,436,599	313,115
Pupil Transportation	1,767,888	2,230,080	(462,192)
Central	2,519,867	2,482,777	37,090
Operation of Non-Instructional Services	122,738	81,864	40,874
Extracurricular Activities	620,342	707,927	(87,585)
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	411,150	300,000	111,150
Interest and Fiscal Charges	160,625	135,685	24,940
<i>Total Expenditures</i>	<u>68,895,347</u>	<u>70,009,385</u>	<u>(1,114,038)</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>(3,829,295)</u>	<u>(144,558)</u>	<u>3,684,737</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	0	1,306	1,306
Proceeds from Sale of Notes	0	0	0
Advances In	250,000	89,572	(160,428)
Advances Out	(245,000)	(214,774)	30,226
Operating Transfers In	76,434	2,236,406	2,159,972
Operating Transfers Out	(668,242)	(777,286)	(109,044)
<i>Total Other Financing Sources (Uses)</i>	<u>(586,808)</u>	<u>1,335,224</u>	<u>1,922,032</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(4,416,103)	1,190,666	5,606,769
<i>Fund Balances Beginning of Year</i>	7,579,072	7,579,072	0
Prior Year Encumbrances Appropriated	1,317,639	1,317,639	0
<i>Fund Balances End of Year</i>	<u>\$4,480,608</u>	<u>\$10,087,377</u>	<u>\$5,606,769</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
4,602,308	5,853,609	1,251,301	0	0	0
4,890	1,002	(3,888)	0	0	0
956,718	878,623	(78,095)	0	0	0
1,300,463	951,077	(349,386)	0	0	0
0	0	0	0	0	0
208,454	231,076	22,622	0	0	0
124,033	171,759	47,726	0	0	0
<u>7,196,866</u>	<u>8,087,146</u>	<u>890,280</u>	<u>0</u>	<u>0</u>	<u>0</u>
1,328,866	2,328,982	(1,000,116)	0	0	0
483,458	517,239	(33,781)	0	0	0
262,856	257,490	5,366	0	0	0
242,945	156,540	86,405	0	0	0
163,099	254,476	(91,377)	0	0	0
1,376,634	987,552	389,082	0	0	0
0	0	0	0	0	0
102,204	133,501	(31,297)	0	0	0
6,398	6,914	(516)	0	0	0
18,549	2,819	15,730	0	0	0
0	0	0	0	0	0
8,242	5,163	3,079	0	0	0
75,860	53,518	22,342	0	0	0
3,633,777	3,452,840	180,937	0	0	0
470,622	287,344	183,278	0	0	0
67,500	67,404	96	0	0	0
0	0	0	0	0	0
0	0	0	0	1,611	(1,611)
<u>8,241,010</u>	<u>8,511,782</u>	<u>(270,772)</u>	<u>0</u>	<u>1,611</u>	<u>(1,611)</u>
<u>(1,044,144)</u>	<u>(424,636)</u>	<u>619,508</u>	<u>0</u>	<u>(1,611)</u>	<u>(1,611)</u>
0	0	0	0	0	0
0	0	0	0	0	0
76,369	211,746	135,377	0	0	0
(3,863)	(86,544)	(82,681)	0	0	0
298,920	534,849	235,929	0	0	0
(3,407)	(100,595)	(97,188)	0	0	0
<u>368,019</u>	<u>559,456</u>	<u>191,437</u>	<u>0</u>	<u>0</u>	<u>0</u>
(676,125)	134,820	810,945	0	(1,611)	(1,611)
996,536	996,536	0	12,617	12,617	0
394,150	394,150	0	0	0	0
<u>\$714,561</u>	<u>\$1,525,506</u>	<u>\$810,945</u>	<u>\$12,617</u>	<u>\$11,006</u>	<u>(\$1,611)</u>

(continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BEUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Capital Projects Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$2,970,030	\$2,374,376	(\$595,654)
Intergovernmental	254,377	550,594	296,217
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rentals	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	263,131	149,478	(113,653)
<i>Total Revenues</i>	<u>3,487,538</u>	<u>3,074,448</u>	<u>(413,090)</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	9,132,057	6,917,800	2,214,257
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>9,132,057</u>	<u>6,917,800</u>	<u>2,214,257</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>(5,644,519)</u>	<u>(3,843,352)</u>	<u>1,801,167</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	0	0	0
Proceeds from Sale of Notes	1,600,000	1,600,000	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,600,000</u>	<u>1,600,000</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(4,044,519)</u>	<u>(2,243,352)</u>	<u>1,801,167</u>
<i>Fund Balances Beginning of Year</i>	3,792,748	3,792,748	0
Prior Year Encumbrances Appropriated	1,126,951	1,126,951	0
<i>Fund Balances End of Year</i>	<u>\$875,180</u>	<u>\$2,676,347</u>	<u>\$1,801,167</u>

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$45,370,030	\$44,811,462	(\$558,568)
24,530,685	28,132,412	3,601,727
1,054,890	1,534,180	479,290
2,669,648	4,304,791	1,635,143
1,300,463	951,077	(349,386)
85,000	44,209	(40,791)
208,454	231,076	22,622
531,286	1,017,214	485,928
<u>75,750,456</u>	<u>81,026,421</u>	<u>5,275,965</u>
30,177,026	32,079,351	(1,902,325)
7,492,266	7,399,572	92,694
1,671,872	1,690,851	(18,979)
256,105	164,099	92,006
6,049,316	6,230,685	(181,369)
4,683,313	4,396,945	286,368
316,270	299,636	16,634
5,091,714	5,196,052	(104,338)
1,373,080	1,459,371	(86,291)
1,417,070	1,363,404	53,666
8,749,714	8,436,599	313,115
1,776,130	2,235,243	(459,113)
2,595,727	2,536,295	59,432
3,756,515	3,534,704	221,811
1,090,964	995,271	95,693
9,199,557	6,985,204	2,214,353
411,150	300,000	111,150
160,625	137,296	23,329
<u>86,268,414</u>	<u>85,440,578</u>	<u>827,836</u>
<u>(10,517,958)</u>	<u>(4,414,157)</u>	<u>6,103,801</u>
0	1,306	1,306
1,600,000	1,600,000	0
326,369	301,318	(25,051)
(248,863)	(301,318)	(52,455)
375,354	2,771,255	2,395,901
(671,649)	(877,881)	(206,232)
<u>1,381,211</u>	<u>3,494,680</u>	<u>2,113,469</u>
(9,136,747)	(919,477)	8,217,270
12,380,973	12,380,973	0
2,838,740	2,838,740	0
<u>\$6,082,966</u>	<u>\$14,300,236</u>	<u>\$8,217,270</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues			
Sales	\$1,134,010	\$0	\$1,134,010
Charges for Services	0	2,402,108	2,402,108
Miscellaneous	22	4,937	4,959
<i>Total Operating Revenues</i>	<u>1,134,032</u>	<u>2,407,045</u>	<u>3,541,077</u>
Operating Expenses			
Salaries and Wages	547,030	25,559	572,589
Fringe Benefits	172,503	325	172,828
Purchased Services	833,425	135,695	969,120
Materials and Supplies	108,990	0	108,990
Claims	0	1,497,205	1,497,205
Cost of Sales	81,783	0	81,783
Other	9,576	2,694	12,270
Depreciation	3,997	0	3,997
<i>Total Operating Expenses</i>	<u>1,757,304</u>	<u>1,661,478</u>	<u>3,418,782</u>
<i>Operating Income (Loss)</i>	<u>(623,272)</u>	<u>745,567</u>	<u>122,295</u>
Non-Operating Revenues			
Federal Donated Commodities	31,732	0	31,732
Operating Grants	560,171	0	560,171
<i>Total Non-Operating Revenues</i>	<u>591,903</u>	<u>0</u>	<u>591,903</u>
<i>Income (Loss) Before Operating Transfers</i>	<u>(31,369)</u>	<u>745,567</u>	<u>714,198</u>
Operating Transfers In	266,598	0	266,598
Operating Transfers Out	0	(2,159,972)	(2,159,972)
<i>Net Income (Loss)</i>	<u>235,229</u>	<u>(1,414,405)</u>	<u>(1,179,176)</u>
<i>Retained Earnings(Deficit) Beginning of Year</i>	<u>(45,524)</u>	<u>3,239,331</u>	<u>3,193,807</u>
<i>Retained Earnings End of Year</i>	<u><u>\$189,705</u></u>	<u><u>\$1,824,926</u></u>	<u><u>\$2,014,631</u></u>

See accompanying notes to the general purpose financial statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Sales	\$1,472,000	\$1,134,010	(\$337,990)
Charges for Services	0	0	0
Miscellaneous	0	22	22
Operating Grants	487,000	424,016	(62,984)
<i>Total Revenues</i>	<u>1,959,000</u>	<u>1,558,048</u>	<u>(400,952)</u>
Expenses			
Salaries and Wages	628,140	530,830	97,310
Fringe Benefits	203,610	173,158	30,452
Purchased Services	1,229,571	997,539	232,032
Material and Supplies	141,053	112,724	28,329
Claims	0	0	0
Capital Outlay	6,747	6,747	0
Other	16,310	9,576	6,734
<i>Total Expenses</i>	<u>2,225,431</u>	<u>1,830,574</u>	<u>394,857</u>
<i>Excess of Revenues Under Expenses Before Operating Transfers</i>	(266,431)	(272,526)	(6,095)
Operating Transfers In	250,000	266,598	16,598
Operating Transfers Out	0	0	0
<i>Excess of Revenues Under Expenses and Operating Transfers</i>	(16,431)	(5,928)	10,503
<i>Fund Equity Beginning of Year</i>	1	1	0
Prior Year Encumbrances Appropriated	<u>18,057</u>	<u>18,057</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$1,627</u></u>	<u><u>\$12,130</u></u>	<u><u>\$10,503</u></u>

(continued)

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Internal Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$0	\$0	\$0
Charges for Services	3,264,268	2,420,065	(844,203)
Miscellaneous	0	4,937	4,937
Operating Grants	0	0	0
<i>Total Revenues</i>	<u>3,264,268</u>	<u>2,425,002</u>	<u>(839,266)</u>
Expenses			
Salaries and Wages	30,000	15,641	14,359
Fringe Benefits	0	0	0
Purchased Services	2,300,371	138,186	2,162,185
Material and Supplies	10,000	0	10,000
Claims	3,534,005	1,494,300	2,039,705
Capital Outlay	0	0	0
Other	15,000	2,694	12,306
<i>Total Expenses</i>	<u>5,889,376</u>	<u>1,650,821</u>	<u>4,238,555</u>
<i>Excess of Revenues Under Expenses Before Operating Transfers</i>	(2,625,108)	774,181	3,399,289
Operating Transfers In	0	0	0
Operating Transfers Out	(50,000)	(2,159,972)	(2,109,972)
<i>Excess of Revenues Under Expenses and Operating Transfers</i>	(2,675,108)	(1,385,791)	1,289,317
<i>Fund Equity Beginning of Year</i>	3,507,827	3,507,827	0
Prior Year Encumbrances Appropriated	92,878	92,878	0
<i>Fund Equity End of Year</i>	<u>\$925,597</u>	<u>\$2,214,914</u>	<u>\$1,289,317</u>

See accompanying notes to the general purpose financial statements.

<u>Totals (Memorandum Only)</u>		
<u>Revised</u>		<u>Variance</u>
<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
		<u>(Unfavorable)</u>
\$1,472,000	\$1,134,010	(\$337,990)
3,264,268	2,420,065	(844,203)
0	4,959	4,959
<u>487,000</u>	<u>424,016</u>	<u>(62,984)</u>
<u>5,223,268</u>	<u>3,983,050</u>	<u>(1,240,218)</u>
658,140	546,471	111,669
203,610	173,158	30,452
3,529,942	1,135,725	2,394,217
151,053	112,724	38,329
3,534,005	1,494,300	2,039,705
6,747	6,747	0
<u>31,310</u>	<u>12,270</u>	<u>19,040</u>
<u>8,114,807</u>	<u>3,481,395</u>	<u>4,633,412</u>
(2,891,539)	501,655	3,393,194
250,000	266,598	16,598
<u>(50,000)</u>	<u>(2,159,972)</u>	<u>(2,109,972)</u>
(2,691,539)	(1,391,719)	1,299,820
3,507,828	3,507,828	0
<u>110,935</u>	<u>110,935</u>	<u>0</u>
<u>\$927,224</u>	<u>\$2,227,044</u>	<u>\$1,299,820</u>

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,134,010	\$0	\$1,134,010
Cash Received from Quasi-External Transactions with Other Funds	0	2,420,065	2,420,065
Cash Received from Other Operating Sources	22	4,937	4,959
Cash Payments to Suppliers for Goods and Services	(938,040)	(132,387)	(1,070,427)
Cash Payments to Employees for Services	(530,830)	(15,641)	(546,471)
Cash Payments for Employee Benefits	(173,158)	0	(173,158)
Cash Payments for Claims	0	(1,489,928)	(1,489,928)
Cash Payments for Other	(9,576)	(2,694)	(12,270)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(517,572)</u>	<u>784,352</u>	<u>266,780</u>
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	424,016	0	424,016
Operating Transfers In	266,598	0	266,598
Operating Transfers Out	0	(2,159,972)	(2,159,972)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>690,614</u>	<u>(2,159,972)</u>	<u>(1,469,358)</u>
Cash Flows from Capital and Related Financing Activities			
Payments for Capital Acquisitions	(6,747)	0	(6,747)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	166,295	(1,375,620)	(1,209,325)
Cash and Cash Equivalents Beginning of Year	<u>18,058</u>	<u>3,600,705</u>	<u>3,618,763</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$184,353</u></u>	<u><u>\$2,225,085</u></u>	<u><u>\$2,409,438</u></u>

(continued)

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities			
Operating Income (Loss)	(\$623,272)	\$745,567	\$122,295
Adjustments:			
Depreciation	3,997	0	3,997
Donated Commodities Used During Year	31,732	0	31,732
(Increase) Decrease in Assets:			
Accounts Receivable	5,578	17,957	23,535
Inventory Held for Resale	(2,478)	0	(2,478)
Materials and Supplies Inventory	(1,203)	0	(1,203)
Increase (Decrease) in Liabilities:			
Accounts Payable	34,121	3,308	37,429
Contracts Payable	18,408	0	18,408
Accrued Wages and Benefits	(7,839)	9,918	2,079
Compensated Absences Payable	16,060	0	16,060
Intergovernmental Payable	7,324	325	7,649
Claims Payable	0	7,277	7,277
<i>Total Adjustments</i>	<u>105,700</u>	<u>38,785</u>	<u>144,485</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$517,572)</u></u>	<u><u>\$784,352</u></u>	<u><u>\$266,780</u></u>

See accompanying notes to the general purpose financial statements.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board of Education controls the District's ten instructional/support facilities staffed by 503 classified employees, 591 certificated full-time teaching personnel, and 63 administrators who provide services to 7,237 students and other community members.

Reporting Entity

A reporting entity is composed 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 District consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

The District is associated with the Ohio Schools Council Association, a jointly governed organization and the Cleveland Heights-University Heights Public Library, a related organization. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year end.

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenues. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each function within each fund. 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 Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. 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 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. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

D. Cash and Cash Equivalents

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

During fiscal year 1999, the District's investments were limited to repurchase agreements, bankers' acceptances, federal government and agency securities, manuscript note and STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$1,757,782, which includes \$531,010 assigned from other District funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

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

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Materials and Supplies Inventory

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

G. Fixed Assets and Depreciation

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

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

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

H. Intergovernmental Revenues

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

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

Entitlements

General Fund

State foundation program

State property tax relief

Special Revenue Funds

M.I.S. Grant

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Title I

Title VI-B

Disadvantaged Pupil Program

Title VI

Early Childhood Grant

Drug Free Schools

Career Education

Auxiliary Services

Motorcycle Safety/Education

Learn and Serve America

Capital Projects Funds

School Net Plus

Power Up

Reimbursable Grants

General Fund

School Bus Purchase Reimbursement

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 32.34 percent of the governmental fund revenue during the 1999 fiscal year.

I. Interfund Assets and Liabilities

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

K. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions 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 generally considered not to have been paid with current available financial resources. Bonds and capital leases 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.

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves (Continued)

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

N. Estimates

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

O. Memorandum Only - Totals Columns

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

NOTE 3 - RESTATEMENT OF PRIOR YEAR, ACCOUNTABILITY AND LEGAL COMPLIANCE

A. Restatement of Prior Year

Compensated absences in the General Long Term Obligations Account Group were understated by \$581,687 in fiscal year 1998, increasing the liabilities from \$8,502,501 to \$9,084,188.

B. Fund Deficits

The following funds had deficit fund balances/retained earnings at June 30, 1999:

	Deficit Fund Balance/ Retained Earnings
Special Revenue Funds:	
Community Service	\$163,277
Career Development	10,547
Early Childhood Preschool	18,297
Job Training Partnership Act	82,355
Vocational Education	19,095
Title VI	7,234
Drug Free Schools	1,257
Preschool Disabilities	997
Enterprise Fund:	
Uniform School Supplies	\$76,300

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - RESTATEMENT OF PRIOR YEAR, ACCOUNTABILITY AND LEGAL COMPLIANCE (Continued)

B. Fund Deficits (Continued)

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

Management is analyzing the uniform school supplies enterprise fund operations to determine appropriate action to alleviate the deficit.

C. Compliance

Ohio Rev. Code Section 5705.14 provides that, with limited exceptions, no transfer of funds can be made from one fund of a subdivision to any other fund. During 1999, the District transferred \$1,600,000 from the Self-Insurance Internal Service Fund to the General Fund.

The following accounts had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 1999, contrary to Ohio Revised Code section 5705.41:

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 3 - RESTATEMENT OF PRIOR YEAR, ACCOUNTABILITY AND LEGAL COMPLIANCE (Continued)

C. Compliance (Continued)

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund:			
Regular Instruction			
Salaries	\$19,975,258	\$20,402,650	\$427,392
Fringe Benefits	5,600,610	6,066,167	465,557
Purchased Services	2,217,269	2,258,859	41,590
Capital Outlay - Replacement	28,995	46,084	17,089
Special Instruction			
Fringe Benefits	1,353,533	1,500,421	146,888
Vocational Instruction			
Salaries	969,770	986,125	16,355
Fringe Benefits	265,620	284,200	18,580
Support Services - Pupils			
Salaries	4,332,780	4,345,539	12,759
Fringe Benefits	1,128,705	1,298,627	169,922
Support Services - Instructional Staff			
Salaries	1,874,585	2,089,578	214,993
Fringe Benefits	688,044	690,602	2,558
Support Services - Board of Education			
Salaries	12,000	13,530	1,530
Support Services - Administration			
Salaries	3,520,590	3,544,754	24,164
Fringe Benefits	1,127,837	1,220,774	92,937
Capital Outlay - Replacement	78,041	93,913	15,872
Support Services - Fiscal			
Salaries	454,940	478,659	23,719
Fringe Benefits	161,420	171,896	10,476
Purchased Services	59,520	75,652	16,132
Materials and Supplies	22,502	23,148	646
Capital Outlay - Replacement	15,300	24,359	9,059
Other	653,000	678,743	25,743
Support Services - Business Services			
Salaries	307,380	322,120	14,740
Fringe Benefits	102,720	117,151	14,431
Capital Outlay - New	3,999	4,299	300
Support Services - Operation and Maintenance			
Maintenance of a Plant			
Salaries	3,678,605	3,791,602	112,997
Fringe Benefits	1,285,350	1,595,372	310,022
Capital Outlay - New	10,891	23,498	12,607

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - RESTATEMENT OF PRIOR YEAR, ACCOUNTABILITY AND LEGAL COMPLIANCE (Continued)

C. Compliance (Continued)

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund (Continued):			
Support Services - Pupil Transportation			
Salaries	\$909,417	\$1,178,238	\$268,821
Fringe Benefits	324,250	459,709	135,459
Purchased Services	304,033	373,975	69,942
Support Services - Central			
Salaries	829,910	874,623	44,713
Fringe Benefits	270,132	282,592	12,460
Operation of Non-Instructional Services			
Salaries	0	8,287	8,287
Fringe Benefits	0	3,104	3,104
Extracurricular Activities			
Salaries	518,660	559,507	40,847
Fringe Benefits	93,240	140,756	47,516
Operating Transfers Out	668,242	777,286	109,044
Special Revenue Funds:			
Special Trust			
Operating Transfers Out	0	159	159
Other Grants			
Instruction - Adult/Continuing Education	2,978	19,912	16,934
Support Services - Instructional Staff	8,248	31,258	23,010
Operation of Non-Instructional Services	7,342	17,579	10,237
Operating Transfers Out	0	19,503	19,503
Auxiliary Services			
Operation of Non-Instructional Services	1,618,278	1,658,636	40,358
Professional Development			
Support Services - Instructional Staff	58,536	60,884	2,348
Educational Mobility			
Instruction - Regular	0	85	85
Operating Transfers Out	0	558	558
Motorcycle Safety Education			
Operating Transfers Out	0	11,901	11,901
Gifted Education			
Special Instruction	0	8,694	8,694

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - RESTATEMENT OF PRIOR YEAR, ACCOUNTABILITY AND LEGAL COMPLIANCE (Continued)

C. Compliance (Continued)

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
<i>Special Revenue Funds (Continued):</i>			
Early Childhood Pre-School			
Support Services - Pupils	\$57,673	\$58,829	\$1,156
Support Services - Fiscal	6,398	6,825	427
Support Services - Central	1,460	1,540	80
Transfers Out	0	1,263	1,263
Disadvantage Pupil			
Instruction - Regular	6,606	1,162,973	1,156,367
Support Services - Pupils	0	1,987	1,987
Support Services - Administration	0	1,981	1,981
Adult Basic Education			
Support Services - Instructional Staff	7,906	76,941	69,035
Operating Transfers Out	0	22	22
JTPA			
Instruction - Vocational	52,610	90,185	37,575
Operating Transfers Out	0	8,389	8,389
Economic Security Act			
Instruction - Regular	7,784	28,777	20,993
Support Services - Instructional Staff	0	14,718	14,718
Operating Transfers Out	0	8,790	8,790
Title VI-B			
Support Services - Pupils	3,672	81,054	77,382
Support Services - Instructional Staff	800	143,178	142,378
Support Services - Administration	0	64,755	64,755
Operating Transfers Out	0	8,553	8,553
Vocational Education			
Instructional - Vocational	152,957	158,976	6,019
Operating Transfers Out	0	834	834
Title I			
Instruction - Special	105,274	465,820	360,546
Support Services - Instructional Staff	520	6,145	5,625
Operation of Non-Instructional Services	83	145,022	144,939
Operating Transfers Out	0	1,350	1,350

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - RESTATEMENT OF PRIOR YEAR, ACCOUNTABILITY AND LEGAL COMPLIANCE (Continued)

C. Compliance (Continued)

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
Title VI			
Support Services - Pupils	\$20,538	\$29,163	\$8,625
Operation of Non-Instructional Services	0	10,707	10,707
Operating Transfers Out	0	10,822	10,822
Emergency Immigrants Education			
Operating Transfers Out	0	46	46
Drug Free Schools			
Support Services - Fiscal Services	0	89	89
Support Services - Pupil Transportation	0	56	56
Operation of Non-Instructional Services	0	998	998
Operating Transfers Out	0	11,415	11,415
School Age Child Care			
Instruction - Regular	0	68	68
Operating Transfers Out	0	300	300
Miscellaneous Federal Grants			
Instruction - Regular	265,000	322,068	57,068
Support Services - Pupils	16,375	24,902	8,527
Operating Transfers Out	0	13,946	13,946
Debt Service Fund:			
Interest and Fiscal Charges	0	1,611	1,611
Internal Service Fund:			
Workers Compensation			
Operating Transfers Out	0	1,600,000	1,600,000

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 3 - RESTATEMENT OF PRIOR YEAR, ACCOUNTABILITY AND LEGAL COMPLIANCE (Continued)

C. Compliance (Continued)

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1999, contrary to Ohio Revised Code section 5705.39:

Fund Type/Fund	Estimated Resources	Appropriations	Excess
<i>Special Revenue Funds:</i>			
Other Grants	\$271,755	\$290,606	\$18,851
Venture Capital	21,697	44,359	22,662
Athletics and Music	428,229	465,352	37,123
Learn and Serve America	0	15,000	15,000
Auxiliary Services	1,579,388	1,622,141	42,753
Education Management Information Systems	8,848	14,641	5,793
Disadvantaged Pupil Impact Aid	141,150	818,686	677,536
Adult Basic Education	197,667	247,873	50,206
Joint Training Partnership	92,610	101,540	8,930
Title VI-B	318,144	365,499	47,355
Vocational Education	176,487	198,133	21,646
Title VI	(234)	20,538	20,772
Emergency Immigrants	6,641	7,576	935
Preschool Disabilities	29,809	35,334	5,525
<i>Capital Projects Funds:</i>			
SchoolNet	83,385	344,603	261,218
Power Up	0	171,777	171,777
<i>Enterprise Funds:</i>			
Uniform School Supply	125,545	132,138	6,593

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Short-term interfund loans are treated as Other Financing Sources (Uses) in cash (budget) rather than as Interfund Receivables/Payables on the balance sheet (GAAP).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$9,040,135	\$851,691	(\$1,611)	(\$1,491,858)
Revenue Accruals	(6,240,360)	(247,239)	0	(267,166)
Advances In	89,572	211,746	0	0
Expenditure Accruals	(130,756)	9,803	0	78,600
Advances Out	(214,774)	(86,544)	0	0
Encumbrances	(1,353,151)	(604,637)	0	(562,928)
Budget Basis	\$1,190,666	\$134,820	(\$1,611)	(\$2,243,352)

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

	Enterprise	Internal Service
GAAP Basis	\$235,229	(\$1,414,405)
Revenue Accruals	(136,155)	17,957
Expense Accruals	69,971	20,828
Capital Outlay	(6,747)	0
Depreciation Expense	3,997	0
Encumbrances	(172,223)	(10,171)
Budget Basis	(\$5,928)	(\$1,385,791)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and 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 risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits At fiscal year end, the carrying amount of the District's deposits was (\$3,478,257) and the bank balance was \$505,210. Of the bank balance:

1. \$251,631 was covered by federal depository insurance; and
2. \$253,579 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category 1	Category 3	Carrying Value	Fair Value
Repurchase Agreements		\$10,554,674	\$10,554,674	\$10,554,674
Federal Home Loan Mortgage Corporation Notes		1,959,081	1,959,081	1,959,081
Federal Home Loan Bank Notes		1,000,580	1,000,580	1,000,580
Federal National Mortgage Association Notes		962,169	962,169	962,169
Manuscript Note	1,600,000		1,600,000	1,600,000
STAROhio			6,729,714	6,729,714
Total Investments			\$22,806,218	\$22,806,218

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$17,727,961	\$1,600,000
Investments of the cash management pool:		
Repurchase Agreements	(10,554,674)	10,554,674
Federal Home Loan Mortgage Corporation	(1,959,081)	1,959,081
Federal Home Loan Bank	(1,000,580)	1,000,580
Federal National Mortgage Association	(962,169)	962,169
STAROhio	(6,729,714)	6,729,714
GASB Statement 3	(\$3,478,257)	\$22,806,218

NOTE 6 - PROPERTY TAXES

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$803,313,550	93.29%	\$802,796,940	93.90%
Public Utility Personal	29,089,580	3.74	29,159,440	3.41
Tangible Personal Property	24,642,983	2.97	22,936,713	2.69
	<u>\$857,046,113</u>	<u>100.00%</u>	<u>\$854,893,093</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$111.00		\$111.00	

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the District. The County Auditor periodically remit to the District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 1999, was \$7,663,636 and is recognized as revenue. \$7,224,291 was available to the general fund and \$439,345 was available to the permanent improvement capital projects fund.

NOTE 7 - RECEIVABLES

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 7 - RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amount
General Fund:	
Cuyahoga County Treasurer - mailing	\$2,085
Special Education - tuition	2,476,315
Vocational Education - tuition	278,017
Total General Fund	2,756,417
Special Revenue Funds:	
Community Services	13,431
Motorcycle Safety	4,811
Joint Training Partnership	4,806
Title I	193,159
Title VI	33,449
Miscellaneous Federal Grants	17,615
Total Special Revenue Funds	267,271
Food Service Enterprise Fund:	
National School Lunch Program	176,602
Total Intergovernmental Receivables	\$3,200,290

NOTE 8 - FIXED ASSETS

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

Furniture and Equipment	\$556,004
Less Accumulated Depreciation	(534,495)
Net Fixed Assets	\$21,509

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

	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999
Land and Improvements	\$251,868	\$0	\$0	\$251,868
Buildings	6,538,616	3,837,112	0	10,375,728
Furniture and Equipment	28,474,882	2,688,498	97,726	31,065,654
Vehicles	2,081,156	357,699	0	2,438,855
Total	\$37,346,522	\$6,883,309	\$97,726	\$44,132,105

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the District contracted several companies for various types of insurance as follows:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Worker's Compensation

Prior to 1996, the District participated in the State Workers' Compensation retrospective rating and payment system. The plan involved the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for the employees injured. During 1996, the District switched to the premium rating coverage provided by the State. This coverage is based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The District still owes the State Workers' Compensation System for ongoing claims during the years the District was covered by the retrospective rating plan. Claims of \$367,104 have been accrued as a liability in the Workers' Compensation Internal Service fund at June 30, 1999 based on an estimate by the claims administrator. Changes in the fund's claims liability amount in 1998 and 1999 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$367,104	\$186,597	\$228,233	\$325,468
1999	325,468	261,472	219,836	367,104

C. Employee Medical Benefits

The District operates and manages employee health benefits on a self-insured basis for prescriptions for all employees and dental and vision for teachers. The District maintains a self insurance internal service fund to account for and finance its uninsured risks of loss in this program. Great West Life, Inc. reviews all claims which are then paid by the District. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Incurred but not reported claims of \$12,894 have been accrued in the self insurance internal service fund at June 30, 1999 based on an estimate from the third party administrator.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

The claims liability of \$12,894 reported in the funds at June 30, 1999 is based on an estimate provided by the Treasurer and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1998 and 1999 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$189,769	\$5,855,757	\$5,998,273	\$47,253
1999	47,253	1,235,733	1,270,092	12,894

The claim payments and end of year balance reflect a reduction because during 1998 the District terminated its self-insured program for health benefits. The District now provides employee health benefits through a paid premium program.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by SERS' Retirement Board. The District's pension contributions to SERS for the years ended June 30, 1999, 1998, and 1997 were \$989,124, \$1,632,201, and \$1,491,094, respectively; 44.69 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$547,065 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$2,108,838, \$4,593,743, and \$4,426,814, respectively; 83.55 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$346,965 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education had elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District this amount equaled \$2,811,784 for fiscal year 1999.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. For the District, the amount contributed to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$948,308.

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

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - CAPITALIZED LEASES

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

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$181,985. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$81,166 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

Year	Amount
2000	\$22,583
Less: Amount Representing Interest	(319)
Present Value of Minimum Lease Payments	\$22,264

NOTE 14 - LONG TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
1993 2.57% Energy Conservation Bonds	\$1,800,000	\$0	\$300,000	\$1,500,000
1998 7.00% Energy Conservation Bonds	1,400,000	0	0	1,400,000
1999 4.30% Notes Payable	0	1,600,000	0	1,600,000
Compensated Absences	5,130,155	1,851,698	0	6,981,853
Pension Obligation	650,603	834,800	650,603	834,800
Capital Leases	103,430	0	81,166	22,264
Total General Long-Term Obligations	<u>\$9,084,188</u>	<u>\$4,286,498</u>	<u>\$1,031,769</u>	<u>\$12,338,917</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - LONG TERM OBLIGATIONS (Continued)

The legal debt margin of the District as of June 30, 1999, was \$75,340,378 with an unvoted debt margin of \$854,893. Principal and interest requirements to retire general obligation bonds and long-term notes outstanding at June 30, 1999 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2000	\$1,040,000	\$172,824	\$1,212,824
2001	1,040,000	144,600	1,184,600
2002	840,000	99,255	939,255
2003	440,000	62,460	502,460
2004	440,000	42,290	482,290
2005-2009	700,000	80,465	780,465
Total	<u>\$4,500,000</u>	<u>\$601,894</u>	<u>\$3,389,530</u>

NOTE 15 - INTERFUND TRANSACTIONS

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Receivable	Payable
General	<u>\$613,967</u>	<u>\$0</u>
Special Revenue Funds		
Community Services	0	183,097
Public School Support	0	7,701
Other Grants	0	11,004
Athletics and Music	0	401
Career Development	0	8,397
Motorcycle Safety Education	5,731	0
Early Childhood Preschool	0	25,439
Job Training Partnership Act	0	137,875
Vocational Education	0	18,082
Title I	0	105,874
Title VI	0	40,124
Drug Free Schools	0	4,081
Preschool Disabilities	0	232
<i>Total Special Revenue Funds</i>	<u>5,731</u>	<u>542,307</u>
Enterprise Fund		
Uniform School Supplies	0	77,391
<i>Total All Funds</i>	<u>\$619,698</u>	<u>\$619,698</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the District participates. The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999, the District paid \$700 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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

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

NOTE 17 - RELATED ORGANIZATION

The Cleveland Heights - University Heights Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Cleveland Heights - University Heights City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the Enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Totals
Operating Revenues	\$1,059,268	\$74,764	\$1,134,032
Depreciation	3,997	0	3,997
Operating Loss	(596,220)	(27,052)	(623,272)
Donated Commodities	31,732	0	31,732
Operating Grants	560,171	0	560,171
Operating Transfers In	250,000	16,598	266,598
Net Income (Loss)	245,683	(10,454)	235,229
Net Working Capital	279,823	(76,300)	203,523
Total Assets	393,128	1,091	394,219
Long-Term Compensated Absences	35,330	0	35,330
Total Equity	266,005	(76,300)	189,705
Encumbrances at June 30, 1999	170,727	1,496	172,223

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$15,529,704 of school foundation support for its general fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 19 - STATE SCHOOL FUNDING DECISION (Continued)

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

NOTE 20 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 21 - SET-ASIDE REQUIREMENTS

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

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

	Textbooks	Capital Improvement	Budget Stabilization
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$559,972
Current Year Set-aside Requirement	966,374	966,374	483,188
Qualifying Disbursements	<u>(2,722,957)</u>	<u>(4,284,691)</u>	<u>0</u>
Total	<u>(1,756,583)</u>	<u>(3,318,317)</u>	<u>1,043,160</u>
Cash Balance Carried Forward to FY2000	<u>\$0</u>	<u>\$0</u>	<u>\$1,043,160</u>

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts		Non-Cash Disbursements	
			Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution		10.550	0	33,189	0	31,732
National School Lunch	03-PU-98	10.555	11,721	0	11,721	0
	03-PU-99		59,258	0	59,258	0
	04-PU-98		45,760	0	45,760	0
	04-PU-99		282,387	0	282,387	0
Total CFDA			399,126	0	399,126	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			399,126	33,189	399,126	31,732
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>Passed through Cuyahoga County</i>						
Employment and Training Assistance		17.246	71,610	0	79,338	0
			7,533	0	2,777	0
			0	0	0	0
Total U.S. Department of Labor			79,143	0	82,115	0
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF-97P	84.027	0	0	1,390	0
	6B-SF-98P		85,782	0	74,560	0
	6B-SF-99P		317,061	0	244,545	0
Total CFDA			402,843	0	320,495	0
Preschool Handicapped	PG-SI-98	84.173	0	0	10,642	0
	PG-SI-99		24,962	0	25,195	0
Total CFDA			24,962	0	35,837	0
Total Special Education Cluster			427,805	0	356,332	0
Adult Education State Grant	AB-SI-98	84.002	90,985	0	68,377	0
	AB-SI-99		91,289	0	144,509	0
Total CFDA			182,274	0	212,886	0
Title I	CI-SI-98	84.010	51,341	0	30,910	0
	CI-SI-99		511,711	0	597,630	0
Total CFDA			563,052	0	628,540	0
Vocational Education Basic Grants to States	20-A4-97	84.048	2,062	0	0	0
	20-C1-98		18,252	0	4,699	0
	20-C1-99		164,815	0	196,062	0
Total CFDA			185,129	0	200,761	0
Immigrant Education	EI-SI-00	84.162	6,834	0	0	0
	EI-SI-99		0	0	5,500	0
	EI-SI-98		0	0	616	0
Total CFDA			6,834	0	6,116	0
Safe and Drug Free Schools	DR-SI-98	84.186	14,842	0	11,290	0
	DR-SI-97		0	0	11,963	0
Total CFDA			14,842	0	23,253	0
Homeless Child Education	HC-SI-99	84.196	10,000	0	0	0
Capital Expenses	CX-SI-97	84.216	28,300	0	49,726	0
Goals 2000	G2-A2-00	84.276	3,476	0	0	0
	G2-S1-97		29,050	0	16,596	0
	G2-S1-99		64,500	0	14,450	0
	G2-S2-97		0	0	4,360	0
	G2-S4-98		0	0	3,000	0
Total CFDA			97,026	0	38,406	0
Eisenhower Professional Development	MS-SI-99	84.281	0	0	14,234	0
	MS-SI-97		0	0	1,646	0
	MS-SI-98		24,061	0	23,489	0
Total CFDA			24,061	0	39,369	0
Innovative Education Program Strategy	C2-SI-97	84.298	0	0	826	0
	C2-SI-98		15,841	0	693	0
	C2-SI-99		14,705	0	38,354	0
Total CFDA			30,546	0	39,873	0
Technology Literacy Challenge Fund	TF-S2-99	84.318	162,500	0	289,446	0
Direct Grant - Telecommunications Fund		84.XXX	109,478	0	109,478	0
Total U. S. Department of Education			1,841,847	0	1,994,186	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed through the Ohio Department of Education</i>						
Dependant Care Planning and Development	DC-SI-98	93.673	0	0	541	0
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>						
<i>Passed through the Ohio Department of Education</i>						
Learn and Serve America	SV-S2-98	94.004	0	0	1,469	0
	SI-99		15,000	0	17,764	0
Total CFDA			15,000	0	19,233	0
Totals			2,335,116	33,189	2,495,201	31,732

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Note A - Basis of Presentation

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

Note B - Food Distribution

Nonmonetary assistance received from the U.S. Department of Agriculture is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 1999, the value of the District's food commodities inventory was \$3,836 and is reported as a portion of Inventory Held for Resale in the Enterprise Fund Type.

Note C - Other

N/A - not applicable

CFDA - Catalog of Federal Domestic Assistance



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

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

We have audited the financial statements of the Cleveland Heights-University Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated March 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-10818-001, 1999-10818-002 and 1999-10818-003. We also noted certain immaterial instances of noncompliance that we have reported to management of District in a separate letter dated March 17, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our 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. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-10818-004, 1999-10818-005, 1999-10818-006, 1999-10818-007.

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. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 17, 2000.

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

March 17, 2000



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

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

Compliance

We have audited the compliance of the Cleveland Heights-University Heights City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each major federal program for the year ended June 30, 1999. 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 major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on each 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 Cleveland Heights-University Heights City School District, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended June 30, 1999. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of District in a separate letter dated March 17, 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 March 17, 2000.

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

March 17, 2000

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

A -133 § .505

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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):	<i>Child Nutrition Cluster:</i> Food Distribution, CFDA No. 10.550; National School Lunch Program, CFDA No. 10.555 <i>Special Education Cluster:</i> Special Education Grants to States, CFDA No. 84.027; Special Education -Pre-School, CFDA No. 84.173; <i>Title I:</i> CFDA No. 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

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

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

Ohio Rev. Code Section 5705.14 provides that, with limited exceptions, no transfer of funds can be made from one fund of a subdivision to any other fund.

During 1999, the District transferred \$1,600,000 from the Self-Insurance Internal Service Fund to the General Fund. That amount represents 42% of total expenses of the Internal Service Fund.

We recommend the Board follow the prescribed Ohio Revised Code restrictions when making transfers.

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

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

For the 1999 fiscal year, the following funds had appropriations in excess of estimated revenues (plus available balances).

	Estimated Resources	Appropriations	Excess	Percent
<i>Special Revenue Funds:</i>				
Venture Capital	21,697	44,359	22,662	104.45%
Learn and Serve America	0	15,000	15,000	100.00%
Education Management Information Systems	8,848	14,641	5,793	65.47%
Disadvantaged Pupil Impact Aid	141,150	818,686	677,536	480.01%
Adult Basic Education	197,667	247,873	50,206	25.40%
Title VI-B	318,144	365,499	47,355	14.88%
Vocational Education	176,487	198,133	21,646	12.26%
Title VI	(234)	20,538	20,772	100.00%
Emergency Immigrants	6,641	7,576	935	14.08%
Preschool Disabilities	29,809	35,334	5,525	18.53%
<i>Capital Projects Funds:</i>				
SchoolNet	83,385	344,603	261,218	313.27%
Power Up	0	171,777	171,777	100.00%

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

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Finding Number	1999-10818-003
----------------	----------------

Ohio Rev. Code Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated.

At June 30, 1999, as disclosed in Note 3 to the general-purpose financial statements, the following accounts had expenditures plus encumbrances in excess of appropriations.

	Appropriations	Expenditures Plus Encumbrances	Excess	Percent
<i>General Fund:</i>				
Regular Instruction				
Capital Outlay - Replacement	28,995	46,084	17,089	58.94%
Special Instruction				
Fringe Benefits	1,353,533	1,500,421	146,888	10.85%
Support Services - Pupils				
Fringe Benefits	1,128,705	1,298,627	169,922	15.05%
Support Services - Instructional Staff				
Salaries	1,874,585	2,089,578	214,993	11.47%
Support Services - Board of Education				
Salaries	12,000	13,530	1,530	12.75%
Support Services - Administration				
Capital Outlay - Replacement	78,041	93,913	15,872	20.34%
Support Services - Fiscal				
Purchased Services	59,520	75,652	16,132	27.10%
Capital Outlay - Replacement	15,300	24,359	9,059	59.21%
Support Services - Business Services				
Fringe Benefits	102,720	117,151	14,431	14.05%
Support Services - Operation and Maintenance of a Plant				
Fringe Benefits	1,285,350	1,595,372	310,022	24.12%
Capital Outlay - New	10,891	23,498	12,607	115.76%
Support Services - Pupil Transportation				
Salaries	909,417	1,178,238	268,821	29.56%
Fringe Benefits	324,250	459,709	135,459	41.78%
Purchased Services	304,033	373,975	69,942	23.00%
Operation of Non-Instructional Services				
Salaries	0	8,287	8,287	100.00%
Fringe Benefits	0	3,104	3,104	100.00%
Extracurricular Activities				
Fringe Benefits	93,240	140,756	47,516	50.96%
Operating Transfers Out	668,242	777,286	109,044	16.32%
<i>Special Revenue Funds:</i>				
<i>Special Trust</i>				
Operating Transfers Out	0	159	159	100.00%
<i>Other Grants</i>				
Instruction - Adult/Continuing Education	2,978	19,912	16,934	568.64%
Support Services - Instructional Staff	8,248	31,258	23,010	278.98%
Operation of Non-Instructional Services	7,342	17,579	10,237	139.43%
Operating Transfers Out	0	19,503	19,503	100.00%

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

	Appropriations	Expenditures Plus Encumbrances	Excess	Percent
<i>Educational Mobility</i>				
Instruction - Regular	0	85	85	100.00%
Operating Transfers Out	0	558	558	100.00%
<i>Motorcycle Safety Education</i>				
Operating Transfers Out	0	11,901	11,901	100.00%
<i>Gifted Education</i>				
Special Instruction	0	8,694	8,694	100.00%
<i>Early Childhood Pre-School</i>				
Transfers Out	0	1,263	1,263	100.00%
<i>Disadvantage Pupil</i>				
Instruction - Regular	6,606	1,162,973	1,156,367	17504.80%
Support Services - Pupils	0	1,987	1,987	100.00%
Support Services - Administration	0	1,981	1,981	100.00%
<i>Adult Basic Education</i>				
Support Services - Instructional Staff	7,906	76,941	69,035	873.20%
Operating Transfers Out	0	22	22	100.00%
<i>JTPA</i>				
Instruction - Vocational	52,610	90,185	37,575	71.42%
Operating Transfers Out	0	8,389	8,389	100.00%
<i>Economic Security Act</i>				
Instruction - Regular	7,784	28,777	20,993	269.69%
Support Services - Instructional Staff	0	14,718	14,718	100.00%
Operating Transfers Out	0	8,790	8,790	100.00%
<i>Title VI-B</i>				
Support Services - Pupils	3,672	81,054	77,382	2107.35%
Support Services - Instructional Staff	800	143,178	142,378	17797.25%
Support Services - Administration	0	64,755	64,755	100.00%
Operating Transfers Out	0	8,553	8,553	100.00%
<i>Vocational Education</i>				
Operating Transfers Out	0	834	834	100.00%
<i>Title I</i>				
Instruction - Special	105,274	465,820	360,546	342.48%
Support Services - Instructional Staff	520	6,145	5,625	1081.73%
Operation of Non-Instructional Services	83	145,022	144,939	174625.30%
Operating Transfers Out	0	1,350	1,350	100.00%
<i>Title VI</i>				
Support Services - Pupils	20,538	29,163	8,625	42.00%
Operation of Non-Instructional Services	0	10,707	10,707	100.00%
Operating Transfers Out	0	10,822	10,822	100.00%
<i>Emergency Immigrants Education</i>				
Operating Transfers Out	0	46	46	100.00%
<i>Drug Free Schools</i>				
Support Services - Fiscal Services	0	89	89	100.00%
Support Services - Pupil Transportation	0	56	56	100.00%
Operation of Non-Instructional Services	0	998	998	100.00%
Operating Transfers Out	0	11,415	11,415	100.00%
<i>School Age Child Care</i>				
Instruction - Regular	0	68	68	100.00%
Operating Transfers Out	0	300	300	100.00%
<i>Miscellaneous Federal Grants</i>				
Instruction - Regular	265,000	322,068	57,068	21.54%
Support Services - Pupils	16,375	24,902	8,527	52.07%
Operating Transfers Out	0	13,946	13,946	100.00%
<i>Debt Service Fund:</i>				
Interest and Fiscal Charges	0	1,611	1,611	100.00%
<i>Internal Service Fund:</i>				
Workers Compensation				
Operating Transfers Out	0	1,600,000	1,600,000	100.00%

Within the table above are 31 accounts for which no appropriation was made.

We recommend the District enforce controls to ensure that expenditures are made within Board appropriated amounts.

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Finding Number	1999-10818-004
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During our review of the "Financial Activity Report," of the Workers' Compensation Fund (027), we noted numerous entries that were unsupported and unexplainable by the District. The net amount of these transactions was \$601,104.

To improve the accuracy of financial records, we recommend that all transactions postings be reviewed by an employee other than the person who posted the transaction and any uncertainty related to the posting be resolved in a timely manner.

Finding Number	1999-10818-005
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A total of \$1,717,253 in expenditures were posted to the 1999 fiscal year after year end. Accounts payable checks run on July 2, 9, 14, 15 and 16, 2000 were all posted on June 30, 1999. Of the total amount, transactions representing \$591,453 were found to be payables or encumbrances as of June 30, 1999 and no audit adjustment was made.

To improve the accuracy of financial records and cash management, we recommend that all transactions postings be reviewed by a person other than who posted the transaction and any uncertainty related to the posting be resolved in a timely manner.

Finding Number	1999-10818-006
----------------	----------------

During 1999, the District did not prepare timely bank reconciliations. Many of the fiscal year 1999 reconciliations were not completed until October 1999. As of March 17, 2000, the bank reconciliations are completed through December 31, 1999.

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

Finding Number	1999-10818-007
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Any payment made by the District should contain sufficient documentation to support that it is a valid obligation of the District. In 1999, disbursements for prescription services amounted to \$668,875. None of the monthly transactions contained a detailed billing of who was receiving these services, if they were in fact eligible, or what services were received.

Without supporting documentation and an accurate review of the documentation, the District could pay for prescriptions of other than District employees.

We recommend the District obtain and review a list of employees for whom prescription claims are being invoiced prior to payment of the invoice.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

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STATUS OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
1998-10818-001	Ohio Revised Code Section 5705.14	No	Re-issued in 1999 report. District should eliminate in the future.
1998-10818-002	Ohio Revised Code Section 5705.39	No	Re-issued in 1999 report. District should eliminate in the future.
1998-10818-003	Ohio Revised Code Section 5705.41B	No	Re-issued in 1999 report. District should eliminate in the future.
1998-10818-004 and 005	Year 2000 issue (federal and non-federal payroll, reporting, personnel and student management applications)	Yes	



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CLEVELAND HEIGHTS-UNIVERSITY HEIGHTS C.S.D.

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 2, 2000**