

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

East Liverpool City School District
Columbiana County
500 Maryland Avenue
East Liverpool, Ohio 43920

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the East Liverpool City School District, Columbiana County, (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 Government's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

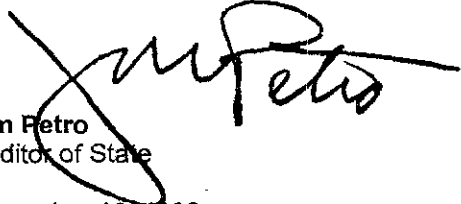
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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 East Liverpool City School District, Columbiana County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the financial statements, the District made a change in its fixed asset capitalization policy during fiscal year 1999.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

Jim Petro
Auditor of State

December 10, 1999

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*East Liverpool City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999*

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Assets and Other Debits			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,016,083	\$724,098	\$512,742
Receivables:			
Taxes	4,215,253	0	223,860
Accounts	2,951	154	0
Intergovernmental	500	54,024	1,100
Interfund Receivable	126,825	0	0
Prepaid Items	28,584	0	0
Inventory Held for Resale	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	348,909	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	<u>\$6,739,105</u>	<u>\$778,276</u>	<u>\$737,702</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$886,631	\$91,064	\$0	\$0	\$4,230,618
0	0	0	0	4,439,113
397	0	0	0	3,502
134,075	0	0	0	189,699
0	0	0	0	126,825
0	0	0	0	28,584
61,120	0	0	0	61,120
0	0	0	0	348,909
144,987	0	16,899,950	0	17,044,937
0	0	0	1,398,745	1,398,745
<u>\$1,227,210</u>	<u>\$91,064</u>	<u>\$16,899,950</u>	<u>\$1,398,745</u>	<u>\$27,872,052</u>

(continued)

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities, Fund Equity and Other Credits			
Liabilities			
Accounts Payable	\$50,225	\$52,457	\$112,264
Accrued Wages	1,539,960	163,857	0
Compensated Absences Payable	65,628	882	0
Interfund Payable	0	126,825	0
Intergovernmental Payable	470,274	58,209	0
Deferred Revenue	4,065,726	0	215,420
Due to Students	0	0	0
Accrued Interest Payable	0	0	12,616
Notes Payable	3,877	0	0
Capital Leases Payable	0	0	0
Energy Conservation Loan Payable	0	0	1,246,078
Total Liabilities	6,195,690	402,230	1,586,378
Fund Equity and Other Credits			
Investment in			
General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance (Deficit):			
Reserved for Encumbrances	260,623	151,263	132,300
Reserved for Property Taxes	149,527	0	8,440
Reserved for Endowment	0	0	0
Reserved for Textbooks	15,478	0	0
Reserved for Capital Improvements	0	0	0
Reserved for Budget Stabilization	182,889	0	0
Reserved for Bus Purchase Allowance	150,542	0	0
Unreserved:			
Designated for Budget Stabilization	106,455	0	0
Undesignated	(322,099)	224,783	(989,416)
Total Fund Equity (Deficit) and Other Credits	543,415	376,046	(848,676)
Total Liabilities, Fund Equity and Other Credits	\$6,739,105	\$778,276	\$737,702

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$29,166	\$314	\$0	\$0	\$244,426
24,882	0	0	0	1,728,699
16,284	0	0	1,229,487	1,312,281
0	0	0	0	126,825
53,035	0	0	165,179	746,697
42,093	0	0	0	4,323,239
0	67,055	0	0	67,055
0	0	0	0	12,616
0	0	0	0	3,877
0	0	0	4,079	4,079
0	0	0	0	1,246,078
<u>165,460</u>	<u>67,369</u>	<u>0</u>	<u>1,398,745</u>	<u>9,815,872</u>
0	0	16,899,950	0	16,899,950
1,061,750	0	0	0	1,061,750
0	46	0	0	544,232
0	0	0	0	157,967
0	13,300	0	0	13,300
0	0	0	0	15,478
0	0	0	0	0
0	0	0	0	182,889
0	0	0	0	150,542
0	0	0	0	106,455
0	10,349	0	0	(1,076,383)
<u>1,061,750</u>	<u>23,695</u>	<u>16,899,950</u>	<u>0</u>	<u>18,056,180</u>
<u>\$1,227,210</u>	<u>\$91,064</u>	<u>\$16,899,950</u>	<u>\$1,398,745</u>	<u>\$27,872,052</u>

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues			
Taxes	\$3,984,994	\$0	\$211,330
Intergovernmental	14,144,470	2,808,401	413,510
Interest	227,690	0	0
Tuition and Fees	504,675	0	0
Extracurricular Activities	0	230,607	0
Contributions and Donations	220	16,389	0
Rentals	5,253	0	0
Miscellaneous	163,142	18,533	0
Total Revenues	19,030,444	3,073,930	624,840
Expenditures			
Current:			
Instruction:			
Regular	7,986,220	699,763	0
Special	1,865,631	1,034,054	0
Vocational	972,302	52,962	0
Adult/Continuing	0	39,154	0
Support Services:			
Pupils	1,009,674	154,539	0
Instructional Staff	599,907	386,466	0
Board of Education	135,194	0	0
Administration	1,199,099	98,499	0
Fiscal	494,490	13,481	0
Business	116,362	0	0
Operation and Maintenance of Plant	2,150,082	156	0
Pupil Transportation	568,463	0	0
Central	27,279	2,104	0
Operation of Non-Instructional Services	0	93,616	0
Extracurricular Activities	204,394	183,542	0
Capital Outlay	0	0	950,948
Debt Service:			
Principal Retirement	1,767	0	0
Interest and Fiscal Charges	1,524	0	67,252
Total Expenditures	17,332,388	2,758,336	1,018,200
Excess of Revenues Over (Under) Expenditures	1,698,056	315,594	(393,360)
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	100,029	0	0
Operating Transfers In	0	5,477	391,133
Operating Transfers Out	(396,610)	0	0
Total Other Financing Sources (Uses)	(296,581)	5,477	391,133
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,401,475	321,071	(2,227)
Fund Balances (Deficit) Beginning of Year	(858,060)	54,975	(846,449)
Fund Balances (Deficit) End of Year	\$543,415	\$376,046	(\$848,676)

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$4,196,324
0	17,366,381
174	227,864
0	504,675
0	230,607
1,000	17,609
0	5,253
0	181,675
<u>1,174</u>	<u>22,730,388</u>
0	8,685,983
0	2,899,685
0	1,025,264
0	39,154
605	1,164,818
0	986,373
100	135,294
0	1,297,598
0	507,971
0	116,362
0	2,150,238
0	568,463
0	29,383
0	93,616
0	387,936
0	950,948
0	1,767
0	68,776
<u>705</u>	<u>21,109,629</u>
<u>469</u>	<u>1,620,759</u>
0	100,029
0	396,610
0	(396,610)
<u>0</u>	<u>100,029</u>
469	1,720,788
<u>7,591</u>	<u>(1,641,943)</u>
<u>\$8,060</u>	<u>\$78,845</u>

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

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$4,192,000	\$4,039,058	(\$152,942)
Intergovernmental	14,290,330	14,156,875	(133,455)
Interest	200,000	232,927	32,927
Tuition and Fees	529,000	506,000	(23,000)
Extracurricular Activities	0	0	0
Contributions and Donations	1,000	220	(780)
Rentals	1,500	5,949	4,449
Miscellaneous	76,167	163,034	86,867
<i>Total Revenues</i>	<u>19,289,997</u>	<u>19,104,063</u>	<u>(185,934)</u>
Expenditures			
Current:			
Instruction:			
Regular	7,850,029	7,877,350	(27,321)
Special	1,894,569	1,882,241	12,328
Vocational	1,035,542	1,005,236	30,306
Adult/Continuing	0	0	0
Support Services:			
Pupils	1,065,034	1,049,517	15,517
Instructional Staff	637,124	616,392	20,732
Board of Education	152,378	150,003	2,375
Administration	1,178,752	1,151,974	26,778
Fiscal	522,896	499,504	23,392
Business	137,470	119,336	18,134
Operation and Maintenance of Plant	2,279,390	2,228,895	50,495
Pupil Transportation	775,901	694,876	81,025
Central	40,000	25,503	14,497
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	222,808	204,769	18,039
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	1,767	1,767	0
Interest and Fiscal Charges	842	842	0
<i>Total Expenditures</i>	<u>17,794,502</u>	<u>17,508,205</u>	<u>286,297</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,495,495</u>	<u>1,595,858</u>	<u>100,363</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	100,000	100,029	29
Advances In	0	45,150	45,150
Advances Out	(126,790)	(126,790)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(490,321)	(404,558)	85,763
<i>Total Other Financing Sources (Uses)</i>	<u>(517,111)</u>	<u>(386,169)</u>	<u>130,942</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>978,384</u>	<u>1,209,689</u>	<u>231,305</u>
<i>Fund Balances Beginning of Year</i>	<u>700,876</u>	<u>700,876</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>140,002</u>	<u>140,002</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$1,819,262</u>	<u>\$2,050,567</u>	<u>\$231,305</u>

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
2,652,659	2,754,377	101,718	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
231,426	230,607	(819)	0	0	0
14,422	16,389	1,967	0	0	0
0	0	0	0	0	0
20,483	18,481	(2,002)	0	0	0
<u>2,918,990</u>	<u>3,019,854</u>	<u>100,864</u>	<u>0</u>	<u>0</u>	<u>0</u>
858,316	806,656	51,660	0	0	0
1,116,395	1,054,873	61,522	0	0	0
67,965	68,035	(70)	0	0	0
39,784	39,164	620	0	0	0
142,100	150,719	(8,619)	0	0	0
433,281	430,515	2,766	0	0	0
0	0	0	0	0	0
105,477	106,060	(583)	0	0	0
15,640	15,098	542	0	0	0
0	0	0	0	0	0
156	156	0	0	0	0
0	0	0	0	0	0
3,318	7,814	(4,496)	0	0	0
200,770	172,695	28,075	0	0	0
256,583	220,271	36,312	0	0	0
0	0	0	0	0	0
0	0	0	209,744	209,744	0
0	0	0	83,487	83,487	0
<u>3,239,785</u>	<u>3,072,056</u>	<u>167,729</u>	<u>293,231</u>	<u>293,231</u>	<u>0</u>
<u>(320,795)</u>	<u>(52,202)</u>	<u>268,593</u>	<u>(293,231)</u>	<u>(293,231)</u>	<u>0</u>
0	0	0	0	0	0
57,021	126,790	69,769	0	0	0
(31,303)	(45,150)	(13,847)	0	0	0
0	5,477	5,477	293,231	293,231	0
0	0	0	0	0	0
<u>25,718</u>	<u>87,117</u>	<u>61,399</u>	<u>293,231</u>	<u>293,231</u>	<u>0</u>
(295,077)	34,915	329,992	0	0	0
368,076	368,076	0	0	0	0
112,235	112,235	0	0	0	0
<u>\$185,234</u>	<u>\$515,226</u>	<u>\$329,992</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(continued)

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

	Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$214,186	\$214,186	\$0
Intergovernmental	473,496	412,410	(61,086)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
Total Revenues	687,682	626,596	(61,086)
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	380,632	369,009	11,623
Board of Education	0	0	0
Administration	0	0	0
Fiscal	5,000	4,691	309
Business	0	0	0
Operation and Maintenance of Plant	846,596	754,861	91,735
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	26,254	0	26,254
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	1,258,482	1,128,561	129,921
Excess of Revenues Over (Under) Expenditures	(570,800)	(501,965)	68,835
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	5,850	105,850	100,000
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	5,850	105,850	100,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(564,950)	(396,115)	168,835
Fund Balances Beginning of Year	513,906	513,906	0
Prior Year Encumbrances Appropriated	150,387	150,387	0
Fund Balances End of Year	\$99,343	\$268,178	\$168,835

See accompanying notes to the general purpose financial statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$4,406,186	\$4,253,244	(\$152,942)
0	0	0	17,416,485	17,323,662	(92,823)
179	179	0	200,179	233,106	32,927
0	0	0	529,000	506,000	(23,000)
0	0	0	231,426	230,607	(819)
1,000	1,000	0	16,422	17,609	1,187
0	0	0	1,500	5,949	4,449
0	0	0	96,650	181,515	84,865
<u>1,179</u>	<u>1,179</u>	<u>0</u>	<u>22,897,848</u>	<u>22,751,692</u>	<u>(146,156)</u>
0	0	0	8,708,345	8,684,006	24,339
0	0	0	3,010,964	2,937,114	73,850
0	0	0	1,103,507	1,073,271	30,236
0	0	0	39,784	39,164	620
959	783	176	1,208,093	1,201,019	7,074
0	0	0	1,451,037	1,415,916	35,121
100	100	0	152,478	150,103	2,375
0	0	0	1,284,229	1,258,034	26,195
0	0	0	543,536	519,293	24,243
0	0	0	137,470	119,336	18,134
0	0	0	3,126,142	2,983,912	142,230
0	0	0	775,901	694,876	81,025
0	0	0	43,318	33,317	10,001
0	0	0	200,770	172,695	28,075
0	0	0	479,391	425,040	54,351
0	0	0	26,254	0	26,254
0	0	0	211,511	211,511	0
0	0	0	84,329	84,329	0
<u>1,059</u>	<u>883</u>	<u>176</u>	<u>22,587,059</u>	<u>22,002,936</u>	<u>584,123</u>
<u>120</u>	<u>296</u>	<u>176</u>	<u>310,789</u>	<u>748,756</u>	<u>437,967</u>
0	0	0	100,000	100,029	29
0	0	0	57,021	171,940	114,919
0	0	0	(158,093)	(171,940)	(13,847)
0	0	0	299,081	404,558	105,477
0	0	0	(490,321)	(404,558)	85,763
<u>0</u>	<u>0</u>	<u>0</u>	<u>(192,312)</u>	<u>100,029</u>	<u>292,341</u>
120	296	176	118,477	848,785	730,308
7,544	7,544	0	1,590,402	1,590,402	0
133	133	0	402,757	402,757	0
<u>\$7,797</u>	<u>\$7,973</u>	<u>\$176</u>	<u>\$2,111,636</u>	<u>\$2,841,944</u>	<u>\$730,308</u>

East Liverpool City School District
Combined Statement of Revenues,
Expenses and Changes in Retained Earnings/Fund Balance
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	<u>Proprietary</u> Enterprise	<u>Fiduciary</u> Nonexpendable Trust	<u>Totals</u> (Memorandum Only)
Operating Revenues			
Sales	\$379,053	\$0	\$379,053
Tuition	14,656	0	14,656
Interest	0	485	485
<i>Total Operating Revenues</i>	<u>393,709</u>	<u>485</u>	<u>394,194</u>
Operating Expenses			
Salaries	379,226	0	379,226
Fringe Benefits	93,873	0	93,873
Purchased Services	21,837	0	21,837
Materials and Supplies	92,636	0	92,636
Cost of Sales	402,021	0	402,021
Depreciation	38,545	0	38,545
Other	722	500	1,222
<i>Total Operating Expenses</i>	<u>1,028,860</u>	<u>500</u>	<u>1,029,360</u>
<i>Operating Loss</i>	<u>(635,151)</u>	<u>(15)</u>	<u>(635,166)</u>
Non-Operating Revenues			
Federal Donated Commodities	68,896	0	68,896
Operating Grants	498,070	0	498,070
<i>Total Non-Operating Revenues</i>	<u>566,966</u>	<u>0</u>	<u>566,966</u>
<i>Net Loss</i>	<u>(68,185)</u>	<u>(15)</u>	<u>(68,200)</u>
<i>Retained Earnings/Fund Balance</i> <i>Beginning of Year - Restated (See Note 3)</i>	<u>1,129,935</u>	<u>15,650</u>	<u>1,145,585</u>
<i>Retained Earnings/Fund Balance</i> <i>End of Year</i>	<u>\$1,061,750</u>	<u>\$15,635</u>	<u>\$1,077,385</u>

See accompanying notes to the general purpose financial statements

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

	Enterprise		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Sales	\$373,328	\$378,903	\$5,575
Tuition	15,992	15,992	0
Interest	0	0	0
Operating Grants	421,931	421,931	0
<i>Total Revenues</i>	<u>811,251</u>	<u>816,826</u>	<u>5,575</u>
Expenses			
Salaries	342,001	340,666	1,335
Fringe Benefits	135,407	135,215	192
Purchased Services	35,513	31,351	4,162
Materials and Supplies	573,121	472,659	100,462
Capital Outlay	14,558	14,558	0
Other	723	722	1
<i>Total Expenses</i>	<u>1,101,323</u>	<u>995,171</u>	<u>106,152</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(290,072)	(178,345)	111,727
<i>Fund Equity Beginning of Year</i>	919,629	919,629	0
Prior Year Encumbrances Appropriated	102,553	102,553	0
<i>Fund Equity End of Year</i>	<u>\$732,110</u>	<u>\$843,837</u>	<u>\$111,727</u>

(continued)

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

	Nonexpendable Trust		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$0	\$0	\$0
Tuition	0	0	0
Interest	550	489	(61)
Other	0	0	0
<i>Total Revenues</i>	550	489	(61)
Expenses			
Salaries	0	0	0
Fringe Benefits	0	0	0
Purchased Services	0	0	0
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Other	500	500	0
<i>Total Expenses</i>	500	500	0
<i>Excess of Revenues Over (Under) Expenses</i>	50	(11)	(61)
<i>Fund Equity Beginning of Year</i>	15,525	15,525	0
Prior Year Encumbrances Appropriated	0	0	0
<i>Fund Equity End of Year</i>	\$15,575	\$15,514	(\$61)

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$373,328	\$378,903	\$5,575
15,992	15,992	0
550	489	(61)
421,931	421,931	0
811,801	817,315	5,514
342,001	340,666	1,335
135,407	135,215	192
35,513	31,351	4,162
573,121	472,659	100,462
14,558	14,558	0
1,223	1,222	1
1,101,823	995,671	106,152
(290,022)	(178,356)	111,666
935,154	935,154	0
102,553	102,553	0
<u>\$747,685</u>	<u>\$859,351</u>	<u>\$111,666</u>

East Liverpool City School District
Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<i>Increase (Decrease) in</i>			
<i>Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$394,895	\$0	\$394,895
Cash Payments to Employees for Services	(340,393)	0	(340,393)
Cash Payments for Employee Benefits	(135,208)	0	(135,208)
Cash Payments for Goods and Services	(461,496)	0	(461,496)
Cash Payments for Other Operating Expenses	(722)	(500)	(1,222)
<i>Net Cash Used for Operating Activities</i>	(542,924)	(500)	(543,424)
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	421,931	0	421,931
Cash Flows from Capital and Related Financing Activities			
Payments for Capital Acquisitions	(14,558)	0	(14,558)
Cash Flows from Investing Activities			
Interest on Investments	0	485	485
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(135,551)	(15)	(135,566)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,022,182	15,650	1,037,832
<i>Cash and Cash Equivalents End of Year</i>	\$886,631	\$15,635	\$902,266

(continued)

East Liverpool City School District
Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Loss to Net Cash Used for Operating Activities			
<i>Operating Loss</i>	(\$635,151)	(\$15)	(\$635,166)
Adjustments			
Depreciation	38,545	0	38,545
Donated Commodities Used During Year	68,896	0	68,896
Interest Received by Nonexpendable Trust Fund	0	(485)	(485)
(Increase)/Decrease in Assets:			
Accounts Receivable	1,186	0	1,186
Inventory Held for Resale	(3,646)	0	(3,646)
Materials and Supplies Inventory	4,231	0	4,231
Increase/(Decrease) in Liabilities:			
Accounts Payable	(15,417)	0	(15,417)
Accrued Wages	(13,268)	0	(13,268)
Compensated Absences Payable	16,284	0	16,284
Intergovernmental Payable	(4,584)	0	(4,584)
<i>Total Adjustments</i>	92,227	(485)	91,742
<i>Net Cash Used for Operating Activities</i>	(\$542,924)	(\$500)	(\$543,424)
Reconciliation of Cash and Cash Equivalents to the Balance Sheet			
Trust and Agency	\$91,064		
Less: Agency Funds	(67,055)		
Expendable Trust	(8,374)		
Nonexpendable Trust Fund	\$15,635		

See accompanying notes to the general purpose financial statements

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

Note 1 - Description of the School District and Reporting Entity

East Liverpool City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The School District operates under a locally-elected five member Board and provides educational services as mandated by state or federal agencies. The School District is the 130th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 151 non-certificated employees, 273 certified full-time teaching personnel and 33 administrative employees who provide services to 3,449 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and 1 bus garage.

The School District was established in 1864 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 14.5 square miles. It is located in Columbiana County, and includes all of the City of East Liverpool, all of Liverpool Township and a portion of Saint Clair Township.

Reporting Entity

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

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

The following activities are included within the reporting entity:

Parochial Schools Within the School District boundaries, St. Aloysius Catholic School is operated through the Catholic Diocese of Youngstown; East Liverpool Christian School is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

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

The School District is associated with the Area Cooperative Computer Educational Service System (ACCESS) which is defined as a jointly governed organization. This organization is presented in Note 18 to the general purpose financial statements.

The State Auditor's Office declared the School District in fiscal watch on October 28, 1996, due to the School District's financial condition. Districts declared in fiscal watch are required to immediately develop a financial recovery plan to eliminate the operating deficit and avoid future deficits. The School District has submitted their initial financial recovery plan which was approved by the State Superintendent of Public Instruction on February 26, 1997.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

Capital Projects Funds 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 or trust funds).

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

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

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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 and the nonexpendable trust funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

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 for the general fund and at the object level within each fund for all other funds. 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 submits 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 Columbiana County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary

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

integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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

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

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to certificates of deposit, repurchase agreements and STAROhio.

Nonparticipating investment contracts, including repurchase agreements and certificates of deposit are reported at cost. Investments in STAROhio are reported at fair value which is based on quoted market prices. 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 \$227,690, which includes \$125,244 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

E. Prepaid Items

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

F. 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 expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. Materials and supplies inventory has not been reported in the governmental funds since the balance is insignificant.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 23 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and 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 School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

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

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

Assets in the general fixed asset 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 of eight to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. 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.

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

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement

Special Revenue Funds

- Disadvantaged Pupil Impact Aid
- State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Auxiliary Services
- Reading Recovery
- Vocational Career Development
- Teacher Development
- Adult Vocational Education
- Education Management Information Systems
- Instructional Materials Subsidy
- Ohio Dept of Natural Resources
- Technology Equity
- Adult Basic Education
- Impact Aid (SAFA)
- Title II (Eisenhower)
- Title VI-B
- Vocational Education (Perkins)
- Title I
- Title VI

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

Special Revenue Funds (continued)

Title IV
Handicapped Pre-School
Goals 2000 Intervention
School to Work
Performance Incentive Grant

Capital Projects Funds

School Net
Ohio School Facilities Emergency Repair Grant
Major Disaster Area Assistance
Internet Video Distant Learning

Reimbursable Grants

General Fund

Driver Education
General Education Development

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 76 percent of governmental fund types operating revenue during the 1999 fiscal year.

J. Interfund Assets/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" and "interfund payables".

K. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Interfund Transactions

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

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

N. Fund Balance Reserves

The School 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 appropriations or expenditures. Designations represent tentative plans for future use of financial resources. 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, property taxes, endowments, textbooks, capital improvements, budget stabilization and bus purchase allowance.

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Fund balance in the general fund includes a designation that represents the amount set-aside by the Board of Education for budget stabilization in excess of the statutory requirement. The reserve for endowments signifies the legal restrictions on the use of principal.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amounts of contributed capital cannot be determined. No contributed capital was supplied by the School District or other agencies on inception of the enterprise funds. Start-up costs were funded through advances which were subsequently reimbursed to the advancing fund. Therefore, no contributed capital has been reported.

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

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

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

Note 3 - Restatement of Prior Year Balances

In the prior year, deferred revenue was overstated in the enterprise funds. The effect of this change on net income as previously reported for the year ended June 30, 1998, is as follows:

Proprietary Funds:	Enterprise
Net Income as Previously Reported	\$4,947
Overstatement of Deferred Revenue	15,381
Restated Net Income for the fiscal year ended June 30, 1998	\$20,328

These changes also had the following effects on fund balance/retained earnings as previously reported as of June 30, 1998.

Proprietary Funds:	Enterprise
Retained Earnings as previously reported	\$1,114,554
Overstatement of Deferred Revenue	15,381
Restated Retained Earnings for the fiscal year ended June 30, 1998	\$1,129,935

For fiscal year 1999, the School District's general fixed assets were restated by (\$1,815,115), from \$18,372,374 to \$16,557,232. The change in fixed assets was due to the School District changing their accounting policy for the treatment of fixed assets. The School District has elected not to include their textbooks in their fixed assets.

Note 4 - Accountability and Compliance

A. Fund Deficits

At June 30, 1999, the following funds had deficit fund balances:

Special Revenue Funds	
Title VI-B	\$4,239
Title I	113,885
Drug Free School	12,069
Capital Projects Fund	
Permanent Improvement	1,031,799

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

The special revenue funds 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, rather than when accruals occur.

The permanent improvement capital project fund deficit balance arose from the requirement to report notes as a liability in the fund which received the proceeds. Once the note is retired, the deficit will be eliminated.

B. Legal Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
Regular Instruction			
Salaries and Wages	\$5,536,167	\$5,560,302	(\$24,135)
Fringe Benefits	1,733,296	1,736,745	(3,449)
Vocational Instruction			
Capital Outlay	4,235	4,475	(240)
Support Services - Pupils			
Salaries and Wages	740,370	741,366	(996)
Fringe Benefits	247,860	248,227	(367)
Special Revenue Funds			
Title VI-B			
Materials and Supplies	8,942	17,017	(8,075)
Purchased Services	1,609	1,737	(128)
Vocational Education			
Vocational Instruction			
Materials and Supplies	15,836	29,437	(13,601)
Drug Free School			
Salaries and Wages	9,443	17,438	(7,995)
Materials and Supplies	6,001	6,498	(497)
Preschool Grant			
Salaries and Wages	2,316	9,997	(7,681)
Capital Projects Fund			
Internet Video Distant Learning			
Capital Outlay	0	38,914	(38,914)

Contrary to Section 5705.412, Ohio Revised Code, the District failed to execute a 412 certificate for the original and permanent appropriation measures.

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

Contrary to Section 5705.39, Ohio Revised Code, the following funds had total appropriations in excess of estimated resources.

Fund/Function	Estimated Resources	Total Appropriations	Excess
Special Revenue Funds			
Local Grants	\$45,407	\$49,519	(\$4,112)
Venture Capital	28,004	30,440	(2,436)
Auxiliary Services	168,871	195,223	(26,352)
Local Professional Development	27,324	29,904	(2,580)
Miscellaneous State Grants	14,039	27,429	(13,390)
Enterprise Fund			
Uniform School Supplies	22,577	25,912	(3,335)

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Fund 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP).
4. Proceeds from and principal payments on short term note obligations are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
5. The School District repays short-term note debt from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$1,401,475	\$321,071	\$0	(\$2,227)	\$469
Revenue Accruals	69,119	(54,076)	0	1,756	0
Advance In	45,150	126,790	0	0	0
Expenditure Accruals	137,189	(104,848)	0	51,398	182
Reclassified for Debt					
Principal Retirement	0	0	(209,744)	0	0
Interest and Fiscal Charges	682	0	(83,487)	82,805	0
Transfers	(7,948)	0	293,231	(285,283)	0
Advances Out	(126,790)	(45,150)	0	0	0
Cash on Hand	4,500	0	0	0	5
Encumbrances	(313,688)	(208,872)	0	(244,564)	(360)
Budget Basis	<u>\$1,209,689</u>	<u>\$34,915</u>	<u>\$0</u>	<u>(\$396,115)</u>	<u>\$296</u>

Net Loss/Excess of Revenues
Under Expenses
All Proprietary Fund Types and Nonexpendable Trust Fund

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$68,185)	(\$15)
Revenue Accruals	(74,953)	0
Expense Accruals	(16,400)	0
Capital Outlay	(14,558)	0
Depreciation Expense	38,545	0
Cash on Hand	(273)	4
Encumbrances	(42,521)	0
Budget Basis	<u>(\$178,345)</u>	<u>(\$11)</u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, 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 (including Repurchase Agreements), and Reverse Repurchase Agreements".

Cash on Hand At fiscal year end, the School District had \$1,172 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

Deposits At fiscal year end, the carrying amount of the School District's deposits was (\$632,989) and the bank balance was \$410,198. Of the bank balance:

1. \$114,312 was covered by federal depository insurance; and
2. \$295,886 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 School District to a successful claim by the FDIC.

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

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$571,861	\$571,861	\$571,861
STAR Ohio		4,639,483	4,639,483
Totals	\$571,861	\$5,211,344	\$5,211,344

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."

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$4,579,527	\$0
Cash on Hand	(1,172)	0
Investments which are part of the cash management pool:		
Repurchase Agreement	(571,861)	571,861
STAROhio	(4,639,483)	4,639,483
GASB Statement 3	(\$632,989)	\$5,211,344

Note 7 - Property Taxes

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

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 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, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

The assessed values upon which the 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	\$97,623,570	70.32%	\$119,464,290	76.18%
Public Utility Personal	14,084,600	10.15	14,481,710	9.24
Tangible Personal Property	27,116,870	19.53	22,862,190	14.58
Total	\$138,825,040	100.00%	\$156,808,190	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.60		\$37.50	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including East Liverpool City School District. The County Auditor periodically remits to the School 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 School District as an advance at June 30, 1999, was \$149,527 in the general fund and \$8,440 in the permanent improvements capital projects fund.

Note 8 - Receivables

Receivables at June 30, 1999 consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to

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

the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
State Reimbursement for Drivers Education	\$500
Special Revenue Funds:	
Adult Vocational Education	44,507
Career Development	9,517
Total Special Revenue Funds	54,024
Capital Projects Fund:	
School Net	1,100
Enterprise Fund:	
Food Service	134,075
Total Intergovernmental Receivables	\$189,699

Note 9 - Fixed Assets

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

Furniture and Equipment	\$515,011
Less: Accumulated	(370,024)
Net Fixed Assets	\$144,987

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

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Improvements	\$900,660	\$0	\$0	\$900,660
Buildings	11,176,413	202,326	144,366	11,234,373
Equipment	3,216,577	284,758	0	3,501,335
Vehicles	1,263,582	0	0	1,263,582
Total General Fixed Assets	\$16,557,232	\$487,084	\$144,366	\$16,899,950

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

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

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for fleet insurance, property and inland marine insurance, liability insurance, and with Auto-Owners Insurance Company for flood insurance. Coverages provided are as follows:

Property: All Buildings and Contents (\$1000 deductible)	\$56,032,100
Flood: Field, Buildings and Contents (\$750 deductible)	441,700
Inland Marine Coverage (\$100 deductible)	100,000
Crime Insurance (\$250 deductible)	20,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

The School District pays the State Worker Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required

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

contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$197,988, \$237,747 and \$241,442, respectively; 48.75 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$101,477 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, 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 fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$665,388, \$1,128,568 and \$1,269,413, respectively; 82.12 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1997 and 1996. \$118,972 represents the unpaid contribution for fiscal year 1999, and 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, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored 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

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

recipients pay a portion of the 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 fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$887,184 during 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.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$161,990.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expense for health care at 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 had approximately 50,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for classified personnel and 240 days for certified personnel. Upon retirement, payment is made to classified employees for one-third of the first 90 days plus 10 percent (with 215 days) or 7 percent (with less than 215 days) of the remaining balance of accrued, but unused sick leave credit up to a maximum of 42 days and to certified employees for one-third of the first 90 days plus 10 percent of the

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

remaining balance up to a maximum of 45 days. In no case shall a certified retiree receive less than 10 days, regardless of the number of sick days accumulated.

B. Life Insurance

The School District provides term life insurance and accidental death and dismemberment insurance to all certified employees and to those classified employees working at least 22.5 hours per week, through Reliance Standard Life Insurance Company at 100 percent of the cost.

C. Health Insurance

The School District provides medical and dental insurance to all certified employees and to those classified employees working at least 22.5 hours per week, through Medical Mutual of Ohio. Coverage for classified employees begins the first day of the month following six months of employment, with 100 percent of the premium paid by the School District. Coverage for certified employees begins the first day of employment, with 95 percent paid by the School District.

Note 14 - Short Term Obligations

The School District's short term activity, including amounts outstanding, interest rates and the purpose for which it was issued follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 06/30/99
<i>General Fund</i>				
Auto Purchase Loans 8.68%	\$11,143	\$0	\$7,266	\$3,877
<i>Capital Projects Fund</i>				
Energy Conservation Loan 5.00%	773,556	0	67,478	706,078
Energy Conservation Loan 5.10%	675,000	0	135,000	540,000
<i>Total</i>	<u>\$1,459,699</u>	<u>\$0</u>	<u>\$209,744</u>	<u>\$1,249,955</u>

In prior years, the School District obtained two four-year loans to purchase two 1995 vehicles for use in the Driver Education Program. The loan will be retired from General Fund operating revenue.

In prior years, the School District issued an two unvoted general obligation Energy Conservation Loans for the purpose of providing energy conservation measures for the School District and to finance building improvements. The loans are being retired from taxes revenue. The liability is reflected in the permanent improvement capital projects fund which received the proceeds.

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

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

Fiscal Year Ending June 30,	Energy Conservation Loans	Auto Purchase Loans	Total General Obligation Debt
2000	278,351	3,974	282,325
2001	268,023	0	268,023
2002	257,695	0	257,695
2003	247,367	0	247,367
2004	104,623	0	104,623
2005-2009	340,025	0	340,025
Total Principal and Interest	1,496,084	3,974	1,500,058
Less: Interest	(250,006)	(97)	(250,103)
Total Principal	<u>\$1,246,078</u>	<u>\$3,877</u>	<u>\$1,249,955</u>

Note 15 - General Long-Term Obligations

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 06/30/99
Compensated Absences	\$1,225,831	\$39,692	\$36,036	\$1,229,487
Intergovernmental Payable	148,599	165,179	148,599	165,179
Capital Leases	5,846	0	1,767	4,079
<i>Total General Long-Term</i>	<u>\$1,380,276</u>	<u>\$204,871</u>	<u>\$186,402</u>	<u>\$1,398,745</u>

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. The capital lease obligations will be paid from the general fund.

The School District's overall legal debt margin was \$14,108,860 with an unvoted debt margin of \$145,666 at June 30, 1999.

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

Note 16 - Capitalized Leases

In prior years, the School District entered into capitalized leases for two automobiles. Each lease 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 combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$26,784, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	\$2,588
2001	2,155
Total	4,743
Less: Amount Representing Interest	(664)
Present Value of Net Minimum Lease Payments	\$4,079

Note 17 - Interfund Activity

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

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$126,825	\$0
Special Revenue Funds		
Local Grants	0	37,546
Reading Recovery	0	24,128
Miscellaneous State Grants	0	9,508
Adult Basic Education	0	2,688
Vocational Education	0	23,595
Title I	0	19,475
Title IV	0	9,885
Vocational Development	0	0
Total Special Revenue	0	126,825
Total All Funds	\$126,825	\$126,825

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

Note 18 - Jointly Governed Organization

The Area Cooperative Computer Educational Service System is a jointly governed organization. The School District is a participant in the Area Cooperative Computer Educational Service System (ACCESS) which is a not-for-profit computer consortium. ACCESS's primary function is to provide data processing services to its twenty-three member school districts with the major emphasis being placed on accounting, payroll, personnel records and inventory control services. ACCESS is governed by an assembly consisting of the superintendents (or other designees) of the member school districts. The assembly exercises total control over the operation of ACCESS, including budgeting, appropriating, contracting and designating management. All revenue is generated from State funding and charges for services. The School District paid ACCESS \$51,674 for services provided during the fiscal year ending June 30, 1999.

Note 19 - Segment Information for Enterprise Funds

The School District maintains three enterprise funds to account for the operations of food service, child care and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the East Liverpool City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform Supplies	After Care	Total Enterprise
Operating Revenues	\$361,227	\$17,826	\$14,656	\$393,709
Depreciation Expense	38,545	0	0	38,545
Operating Income (Loss)	(629,010)	(7,326)	1,185	(635,151)
Federal Donated Commodities	68,896	0	0	68,896
Operating Grants	498,070	0	0	498,070
Net Income (Loss)	(62,044)	(7,326)	1,185	(68,185)
Fixed Assets				
Additions	14,558	0	0	14,558
Net Working Capital	914,901	2,873	15,273	933,047
Total Assets	1,208,088	2,873	16,249	1,227,210
Long-Term Compensated				
Absences Payable	16,284	0	0	16,284
Total Equity	1,043,663	2,873	15,214	1,061,750
Encumbrances Outstanding at June 30, 1999	42,466	0	55	42,521

Note 20 - State School Funding Decision

On March 24, 1997, the 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 State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School

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

District. During the fiscal year ended June 30, 1999, the School District received \$12,783,685 in 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. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Note 21 - Contingencies

A. Grants

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

B. Litigation

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

Note 22 - Year 2000 Issue

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

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

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

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

Columbiana County collects property taxes for distribution to the East Liverpool City School District. Columbiana County is solely responsible for any costs associated with the tax collection and distribution system project.

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

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

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

The accounting software supported with the OECN State Software will be compliant with the Year 2000, beginning with the June 1999 release of USAS V6.1.

The equipment inventory and vehicle inventory system software supported with OECN State software will be compliant with the Year 2000, beginning with the December 1999 release of SAAS V2.0.

The education management information system software supported with the OECN State Software will be compliant with the Year 2000, beginning with the September 1999 release of EMIS V1.7."

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

The County is solely responsible for any costs associated with the tax collection system project. The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

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

Note 23 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on 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

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

restricted resources received during the fiscal year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$182,889	
Current Year Set-aside Requirement	230,403	230,403	0	
Qualifying Disbursements	(214,925)	(315,453)	0	
Total	<u>\$15,478</u>	<u>(\$85,050)</u>	<u>\$182,889</u>	
Cash Balance Carried Forward to FY2000	<u>\$15,478</u>	<u>\$0</u>	<u>\$182,889</u>	\$198,367
Bus Purchase Allowance				150,542
Total Restricted Assets				<u>\$348,909</u>

Although the School District had offsets and 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.

There are no amounts required to be set-aside for budget stabilization for fiscal year 1999, due to the School District being in fiscal watch. The general fund balance includes \$106,455 that has been designated for the amount of set-asides in excess of requirements.

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster						
Food Distribution Program	10.550	N/A		\$68,978		\$68,896
School Breakfast Program	10.553	05-PU-98/99	79,883		79,883	
National School Lunch Program	10.555	03/04-PU-98/99	310,974		310,974	
Total Nutrition Cluster/Total Department of Agriculture			390,857	68,978	390,857	68,896
UNITED STATES DEPARTMENT OF LABOR <i>Passed through the Ohio Department of Education</i>						
School-to-Work	17.249	STW98FED-98-B1008			528	
FEDERAL EMERGENCY MANAGEMENT AGENCY <i>Passed through the Ohio Department of Public Safety</i>						
Public Assistance Grants	83.544	1097-DR-029-91000			16,127	
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed through the Ohio Department of Education</i>						
Adult Education- State Grant Program	84.002	AB-S1-98 AB-S1-98C AB-S1-99	15,000 18,522 33,522		1,984 2,368 18,522 22,874	
Title 1, Grants to Local Educational Agencies	84.010	C1-S1-97C C1-S1-98 C1-S1-98C C1-S1-99	 39,813 1,054,195 1,094,008		19,393 49,973 1,067,400 1,136,766	
Special Education Cluster						
Special Education Grants to States	84.027	6B-SF-96P 6B-SF-98P 6B-SF-99P	 2,717 186,132 188,849		49 25,785 175,767 201,601	
Special Education Preschool Grants	84.173	PG-S1-98P PG-S1-98	18,252 18,252		10,544 3,041 13,585	
Total Special Education Cluster			207,101		215,186	
Vocational Education Basic Grant	84.048	20-C1-99 20-C1-98	72,568 72,568		80,029 10,203 90,232	
Safe and Drug-Free Schools - State grants	84.186	DR-S1-98 DR-S1-98C DR-S1-99	9,600 5,790 13,610 28,000		4,833 5,790 22,997 33,620	
Goals 2000	84.276	G2-S1-98P G2-S1-97	48,900 48,900		17,301 9,347 26,648	

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

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Eisenhower Professional Development Grant	84.281	MS-S1-98 MS-S1-99 MS-S1-98C	19,178 <u>8,147</u> 27,325		7,324 15,114 <u>22,438</u>	
Innovative Educational Program Strategies	84.298	C2-S1-99 C2-S1-98 C2-S1-98C	20,195 <u>20,195</u>		4,990 <u>650</u> 5,640	
<i>Direct Federal Program</i>						
Impact Aid	84.041	45-OH-98-2401	<u>4,483</u>		<u>10,634</u>	
Total Department of Education			<u>1,537,102</u>		<u>1,584,038</u>	
Total Receipts and Expenditures of Federal Awards			<u>\$1,927,959</u>	<u>\$68,978</u>	<u>\$1,971,550</u>	<u>\$68,896</u>

The notes to the Schedule of Federal Awards, Receipts, and Expenditures are an integral part of this statement.

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

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities valued at \$42,093 in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

East Liverpool City School District
Columbiana County
500 Maryland Avenue
East Liverpool, Ohio 43920

To the Board of Education:

We have audited the financial statements of East Liverpool City School District, Columbiana County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 10, 1999. Our report on the financial statements included an explanatory paragraph noting the District made a change in its fixed assets capitalization policy during fiscal year 1999. We conducted our audit in accordance with generally accepted auditing 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 East Liverpool City School 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 10, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Liverpool City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 10, 1999.

East Liverpool City School District
Columbiana County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

December 10, 1999



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

East Liverpool City School District
Columbiana County
500 Maryland Avenue
East Liverpool, Ohio 43920

To the Board of Education:

Compliance

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

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about East Liverpool City School 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 East Liverpool City School District's compliance with those requirements.

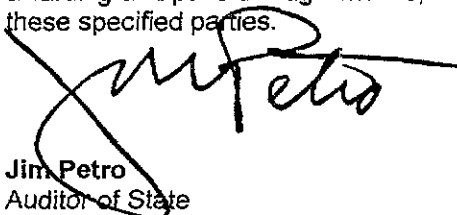
In our opinion, East Liverpool City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of East Liverpool City School 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 East Liverpool City School 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 a material weakness.

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over the typed name and title.

Jim Petro
Auditor of State

December 10, 1999

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

JUNE 30, 1999

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

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

**JUNE 30, 1999
(Continued)**

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

Finding Number	N/A - no findings
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	N/A - no findings
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OFFICE OF THE AUDITOR

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EAST LIVERPOOL CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JANUARY 11, 2000