

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

Lausche Building, 12<sup>th</sup> Floor  
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December 15, 1999

Marcella Ridenour, Interim Treasurer  
Olmsted Falls City School District  
Cuyahoga County  
26937 Bagley Road  
Olmsted Falls, Ohio 44138-0010

Dear Ms. Reidenour:

We have enclosed one bound copy of your audit report for the year ended June 30, 1999. In addition, one unbound copy is enclosed for your use in making appropriate copies for the Single Audit Clearinghouse and, if required, certain other entities that have provided the District with federal awards ("pass-through entities").

Transmittal to Single Audit Clearinghouse

You must send one copy of the complete audit reporting package within 30 days to the Clearinghouse.

The Clearinghouse address is: Single Audit Clearinghouse  
1201 East Tenth Street  
Jeffersonville, IN 47132.

Transmittal to Pass-Through Entities

If the Schedule of Findings and Questioned Costs disclosed findings or questioned costs related to federal-based awards the pass-through entity provided; or the Schedule of Prior Audit Findings and Questioned Costs reported on the status of any audit findings related to the federal-based awards that the pass-through entity provided, then you must submit one copy of the reporting package to each such agency. You do not have to include the Data Collection Form in the copy of the reporting package sent to this/ these agency(ies), if you do not want to do so.

The Auditor of State has identified the following agency(ies) to which this reporting requirement applies:  
NONE.

Optional Written Communication

If you are not required to submit a reporting package to a pass-through entity (because your entity did not have any audit findings or questioned costs related to grants from that pass-through entity), you may write to that agency indicating:

Marcella Ridenour, Interim Treasurer  
Olmsted Falls City School District  
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- the District had a Single Audit under *OMB Circular A-133*;
- the period covered by the audit;
- the name, amount, and CFDA number of the federal-based award(s) provided by that agency to the District;
- the Schedule of Findings and Questioned Costs disclosed no findings and questioned costs related to the federal-based award(s) the non-federal grantor agency provided; and
- the Schedule of Prior Audit Findings and Questioned Costs did not report on the status of any audit findings related to the federal-based awards that the non-federal grantor agency provided.

In lieu of this written communication, you may submit a copy of the reporting package to each such agency. You do not have to include the Data Collection Form in the copy of the reporting package sent to this/ these agency(ies), if you do not want to do so.

The Auditor of State has identified the following agency(ies) to which this written communication reporting option applies: Ohio Department of Education.

You must submit one copy of you reporting package, or the optional written communication, to your pass-through entities within 30 days of receipt of your audit reports from us.

If you have any questions, please contact Brian McQuinn, Deputy Auditor, at the Cleveland Region office of the Auditor of State at (216) 787-3665.

Sincerely,



**JIM PETRO**  
Auditor of State

Enclosures

**Olmsted falls City School District**  
*General Purpose Financial Statements*  
*For the Year Ended June 30, 1999*  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Olmsted Falls City School District  
26937 Bagley Road  
Olmsted Falls, Ohio 44138-0010

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

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

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

The accompanying general-purpose financial statements have been prepared assuming that the District will be able to continue normal operations and meet financial obligations as they come due. As discussed in Note 27 to the general-purpose financial statements, the District has suffered recurring losses from operations and has a net governmental fund balance deficiency that raises substantial doubt about its ability to continue operations (that is, to operate as a "going concern" as that term is used by the American Institute of Certified Public Accountants) without decreases in the District's costs of operation. Management's plans in regard to these matters are also described in Note 27. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 3 to the accompanying financial statements, during fiscal year 1999 the District changed the fund type classification for one fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



**JIM PETRO**  
Auditor of State

December 15, 1999

**Olmsted Falls City School District**

*Combined Balance Sheet*

*All Fund Types and Account Groups*

*June 30, 1999*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$620,917	\$316,218	\$1,453,683	\$950,187
Investments	0	0	68,595	0
Receivables:				
Taxes	11,990,323	0	1,555,818	132,620
Accounts	34,539	165	0	0
Intergovernmental	42,185	0	0	0
Settlement	3,380,000	0	0	0
Interfund Receivable	2,082	0	0	0
Due from Other Funds	0	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	113,415	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	146,344	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$16,329,805</b>	<b>\$316,383</b>	<b>\$3,078,096</b>	<b>\$1,082,807</b>

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$46,062	\$7,616	\$46,276	\$0	\$0	\$3,440,959
0	0	0	0	0	68,595
0	0	0	0	0	13,678,761
2,412	0	0	0	0	37,116
13,830	0	0	0	0	56,015
0	0	0	0	0	3,380,000
0	0	0	0	0	2,082
0	158,150	0	0	0	158,150
35,318	0	0	0	0	35,318
0	0	0	0	0	113,415
0	0	0	0	0	146,344
239,050	0	0	34,077,981	0	34,317,031
0	0	0	0	1,688,200	1,688,200
0	0	0	0	26,548,084	26,548,084
<u>\$336,672</u>	<u>\$165,766</u>	<u>\$46,276</u>	<u>\$34,077,981</u>	<u>\$28,236,284</u>	<u>\$83,670,070</u>

(continued)

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$74,937	\$31,163	\$0	\$40,408
Accrued Wages and Benefits	2,319,430	4,472	0	0
Compensated Absences Payable	35,214	0	0	0
Retainage Payable	0	0	0	171,893
Interfund Payable	0	180	0	0
Due to Other Funds	158,150	0	0	0
Intergovernmental Payable	397,911	97	0	0
Deferred Revenue	14,335,732	0	1,389,896	119,658
Due to Students	0	0	0	0
Notes Payable	1,900,000	0	0	0
Claims Payable	0	0	0	0
Loans Payable	2,157,000	0	0	0
Classroom Facilities Loan Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>21,378,374</b>	<b>35,912</b>	<b>1,389,896</b>	<b>331,959</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	334,449	69,739	0	953,679
Reserved for Inventory	113,415	0	0	0
Reserved for Property Taxes	1,034,591	0	165,922	12,963
Reserved for Budget Stabilization	106,632	0	0	0
Reserved for Bus Purchase	39,712	0	0	0
Unreserved, Undesignated	(6,677,368)	210,732	1,522,278	(215,793)
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>(5,048,569)</b>	<b>280,471</b>	<b>1,688,200</b>	<b>750,849</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$16,329,805</b>	<b>\$316,383</b>	<b>\$3,078,096</b>	<b>\$1,082,808</b>
See accompanying notes to the general purpose financial statements				

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$3,231	\$0	\$8,825	\$0	\$0	\$158,564
53,010	0	0	0	0	2,376,912
0	0	0	0	2,369,247	2,404,461
0	0	0	0	0	171,893
0	0	1,902	0	0	2,082
0	0	0	0	0	158,150
14,926	0	0	0	73,252	486,186
27,167	0	0	0	0	15,872,453
0	0	35,549	0	0	35,549
0	0	0	0	68,595	1,968,595
0	158,150	0	0	0	158,150
0	0	0	0	0	2,157,000
0	0	0	0	8,216,296	8,216,296
0	0	0	0	673,788	673,788
0	0	0	0	16,835,106	16,835,106
<u>98,334</u>	<u>158,150</u>	<u>46,276</u>	<u>0</u>	<u>28,236,284</u>	<u>51,675,185</u>
0	0	0	34,077,981	0	34,077,981
134,714	0	0	0	0	134,714
103,624	7,616	0	0	0	111,240
0	0	0	0	0	1,357,867
0	0	0	0	0	113,415
0	0	0	0	0	1,213,476
0	0	0	0	0	106,632
0	0	0	0	0	39,712
0	0	0	0	0	(5,160,151)
<u>238,338</u>	<u>7,616</u>	<u>0</u>	<u>34,077,981</u>	<u>0</u>	<u>31,994,886</u>
<u>\$336,672</u>	<u>\$165,766</u>	<u>\$46,276</u>	<u>\$34,077,981</u>	<u>\$28,236,284</u>	<u>\$83,670,071</u>

**Olmsted Falls City School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999*

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Revenues</b>			
Taxes	\$9,939,622	\$0	\$1,882,286
Intergovernmental	7,715,712	412,846	209,847
Interest	225,902	0	0
Tuition and Fees	136,387	686	0
Extracurricular Activities	13,487	274,232	0
Contributions and Donations	0	94,765	0
Charges for Services	105,481	0	0
Rentals	50,849	3,977	0
Miscellaneous	42,521	53,345	0
<i>Total Revenues</i>	<u>18,229,961</u>	<u>839,851</u>	<u>2,092,133</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	9,640,490	93,436	0
Special	1,527,861	73,135	0
Vocational	211,808	0	0
Adult/Continuing	12,557	0	0
Other	684,882	0	0
Support Services:			
Pupils	1,013,168	73,728	0
Instructional Staff	592,798	78,235	0
Board of Education	170,413	0	0
Administration	1,338,421	24,415	0
Fiscal	513,904	0	651
Operation and Maintenance of Plant	2,278,403	0	0
Pupil Transportation	1,041,241	0	0
Central	98,393	6,517	0
Operation of Non-Instructional Services	8,659	85,230	0
Extracurricular Activities	540,728	346,085	0
Capital Outlay	220,645	0	0
Debt Service:			
Principal Retirement	183,485	0	1,343,139
Interest and Fiscal Charges	209,158	0	726,422
<i>Total Expenditures</i>	<u>20,287,014</u>	<u>780,781</u>	<u>2,070,212</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,057,053)</u>	<u>59,070</u>	<u>21,921</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	600	0	0
Inception of Capital Lease	168,845	0	0
Operating Transfers In	0	137	0
Operating Transfers Out	(31,770)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>137,675</u>	<u>137</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,919,378)</u>	<u>59,207</u>	<u>21,921</u>
<i>Fund Balances (Deficit) Beginning of Year (Restated Note 3)</i>	<u>(3,242,606)</u>	<u>221,264</u>	<u>1,666,279</u>
Increase in Reserve for Inventory	<u>113,415</u>	<u>0</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$5,048,569)</u></u>	<u><u>\$280,471</u></u>	<u><u>\$1,688,200</u></u>
See accompanying notes to the general purpose financial statements			

<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
\$52,242	\$11,874,150
1,043	8,339,448
24,955	250,857
0	137,073
0	287,719
0	94,765
0	105,481
0	54,826
0	95,866
<u>78,240</u>	<u>21,240,185</u>
0	9,733,926
0	1,600,996
0	211,808
0	12,557
0	684,882
0	1,086,896
0	671,033
0	170,413
0	1,362,836
0	514,555
0	2,278,403
0	1,041,241
0	104,910
0	93,889
0	886,813
114,972	335,617
0	1,526,624
0	935,580
<u>114,972</u>	<u>23,252,979</u>
<u>(36,732)</u>	<u>(2,012,794)</u>
0	600
0	168,845
0	137
0	(31,770)
<u>0</u>	<u>137,812</u>
(36,732)	(1,874,982)
787,581	(567,482)
0	113,415
<u>\$750,849</u>	<u>(\$2,329,049)</u>

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

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$9,895,444	\$9,954,491	\$59,047
Intergovernmental	7,797,876	7,901,743	103,867
Interest	212,414	226,284	13,870
Tuition and Fees	116,570	136,781	20,211
Extracurricular Activities	0	0	0
Donations	0	0	0
Charges for Services	105,106	105,481	375
Rentals	30,733	30,842	109
Miscellaneous	30,848	36,029	5,181
<i>Total Revenues</i>	<u>18,188,991</u>	<u>18,391,651</u>	<u>202,660</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,307,856	9,707,730	600,126
Special	2,013,313	1,562,172	451,141
Vocational	157,210	262,324	(105,114)
Adult/Continuing	11,000	11,276	(276)
Other	398,362	825,271	(426,909)
Support Services:			
Pupils	1,128,169	979,568	148,601
Instructional Staff	585,853	615,768	(29,915)
Board of Education	66,322	142,575	(76,253)
Administration	1,417,463	1,489,791	(72,328)
Fiscal	469,893	577,354	(107,461)
Operation and Maintenance of Plant	2,547,345	2,506,152	41,193
Pupil Transportaton	1,193,928	1,171,093	22,835
Central	96,022	118,234	(22,212)
Operation of Non-Instructional Services	0	8,893	(8,893)
Extracurricular Activities	505,500	549,302	(43,802)
Capital Outlay	63,000	84,371	(21,371)
Debt Service:			
Principal Retirement	3,938,012	4,232,648	(294,636)
Interest and Fiscal Charges	226,988	226,988	0
<i>Total Expenditures</i>	<u>25,126,236</u>	<u>25,071,510</u>	<u>54,726</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(6,937,245)</u>	<u>(6,679,859)</u>	<u>257,386</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Loans	2,157,000	2,157,000	0
Proceeds of Notes	5,629,409	5,663,000	33,591
Proceeds from Sale of Fixed Assets	600	600	0
Operating Transfers In	0	0	0
Operating Transfers Out	(1,800)	(31,770)	(29,970)
<i>Total Other Financing Sources (Uses)</i>	<u>7,785,209</u>	<u>7,788,830</u>	<u>3,621</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>847,964</u>	<u>1,108,971</u>	<u>261,007</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,192,166)</u>	<u>(1,192,166)</u>	<u>0</u>
Prior Year Encumbrances Appropriated	499,236	499,236	0
<i>Fund Balances (Deficit) End of Year</i>	<u>\$155,034</u>	<u>\$416,041</u>	<u>\$261,007</u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,904,832	\$1,666,222	(\$238,610)
406,142	412,846	6,704	106,258	209,848	103,590
0	0	0	0	0	0
27,995	686	(27,309)	0	0	0
320,291	274,232	(46,059)	0	0	0
102,897	94,765	(8,132)	0	0	0
0	0	0	0	0	0
6,350	3,977	(2,373)	0	0	0
43,386	53,345	9,959	0	0	0
<u>907,061</u>	<u>839,851</u>	<u>(67,210)</u>	<u>2,011,090</u>	<u>1,876,070</u>	<u>(135,020)</u>
105,898	93,519	12,379	0	0	0
90,761	73,566	17,195	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
82,293	73,570	8,723	0	0	0
71,984	95,468	(23,484)	0	0	0
0	0	0	0	0	0
35,257	24,415	10,842	0	0	0
0	0	0	20,000	651	19,349
0	0	0	0	0	0
0	0	0	0	0	0
5,957	6,517	(560)	0	0	0
142,898	152,040	(9,142)	0	0	0
398,702	387,283	11,419	0	0	0
0	0	0	0	0	0
0	0	0	1,085,000	1,085,000	0
0	0	0	695,000	660,747	34,253
<u>933,750</u>	<u>906,378</u>	<u>27,372</u>	<u>1,800,000</u>	<u>1,746,398</u>	<u>53,602</u>
<u>(26,689)</u>	<u>(66,527)</u>	<u>(39,838)</u>	<u>211,090</u>	<u>129,672</u>	<u>(81,418)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
126	137	11	0	0	0
0	0	0	0	0	0
<u>126</u>	<u>137</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>
(26,563)	(66,390)	(39,827)	211,090	129,672	(81,418)
216,885	216,885	0	1,392,606	1,392,606	0
70,752	70,752	0	0	0	0
<u>\$261,074</u>	<u>\$221,247</u>	<u>(\$39,827)</u>	<u>\$1,603,696</u>	<u>\$1,522,278</u>	<u>(\$81,418)</u>

(continued)

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

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$63,895	\$65,027	\$1,132
Intergovernmental	1,043	1,043	0
Interest	27,401	30,906	3,505
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Donations	0	0	0
Charges for Services	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>92,339</b>	<b>96,976</b>	<b>4,637</b>
<b>Expenditures</b>			
<b>Current</b>			
<b>Instruction:</b>			
Regular	47,407	24,776	22,631
Special	0	0	0
Vocational	1,559	1,544	15
Adult/Continuing	0	0	0
Other	0	0	0
<b>Support Services:</b>			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	24	(24)
Operation and Maintenance of Plant	0	14,200	(14,200)
Pupil Transportaton	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	1,170,638	1,199,115	(28,477)
<b>Debt Service:</b>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>1,219,604</b>	<b>1,239,659</b>	<b>(20,055)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,127,265)</b>	<b>(1,142,683)</b>	<b>(15,418)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(1,127,265)</b>	<b>(1,142,683)</b>	<b>(15,418)</b>
<b>Fund Balances (Deficit) Beginning of Year</b>	<b>484,145</b>	<b>484,145</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>614,638</b>	<b>614,638</b>	<b>0</b>
<b>Fund Balances (Deficit) End of Year</b>	<b>(\$28,482)</b>	<b>(\$43,900)</b>	<b>(\$15,418)</b>
See accompanying notes to the general purpose financial statements.			

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$11,864,171	\$11,685,740	(\$178,431)
8,311,319	8,525,480	214,161
239,815	257,190	17,375
144,565	137,467	(7,098)
320,291	274,232	(46,059)
102,897	94,765	(8,132)
105,106	105,481	375
37,083	34,819	(2,264)
74,234	89,374	15,140
<u>21,199,481</u>	<u>21,204,548</u>	<u>5,067</u>
10,461,161	9,826,025	635,136
2,104,074	1,635,738	468,336
158,769	263,868	(105,099)
11,000	11,276	(276)
398,362	825,271	(426,909)
1,210,462	1,053,138	157,324
657,837	711,236	(53,399)
66,322	142,575	(76,253)
1,452,720	1,514,206	(61,486)
489,893	578,029	(88,136)
2,547,345	2,520,352	26,993
1,193,928	1,171,093	22,835
101,979	124,751	(22,772)
142,898	160,933	(18,035)
904,202	936,585	(32,383)
1,233,638	1,283,486	(49,848)
5,023,012	5,317,648	(294,636)
921,988	887,735	34,253
<u>29,079,590</u>	<u>28,963,945</u>	<u>115,645</u>
<u>(7,880,109)</u>	<u>(7,759,397)</u>	<u>120,712</u>
2,157,000	2,157,000	0
5,629,409	5,663,000	33,591
600	600	0
126	137	11
(1,800)	(31,770)	(29,970)
<u>7,785,335</u>	<u>7,788,967</u>	<u>3,632</u>
(94,774)	29,570	124,344
901,470	901,470	0
1,184,626	1,184,626	0
<u>\$1,991,322</u>	<u>\$2,115,666</u>	<u>\$124,344</u>

**Olmsted Falls City School District**  
*Combined Statement of Revenues,  
 Expenses and Changes in Fund Equity  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 1999*

	Enterprise	Internal Service	Totals (Memorandum Only)
<b>Operating Revenues</b>			
Tuition and Fees	\$1,239	\$0	\$1,239
Sales	732,645	0	732,645
Charges for Services	0	1,430,011	1,430,011
<i>Total Operating Revenues</i>	<u>733,884</u>	<u>1,430,011</u>	<u>2,163,895</u>
<b>Operating Expenses</b>			
Salaries and Wages	274,547	0	274,547
Fringe Benefits	94,602	0	94,602
Purchased Services	4,603	0	4,603
Materials and Supplies	154,013	0	154,013
Cost of Sales	298,542	0	298,542
Depreciation	26,945	0	26,945
Claims	0	1,423,984	1,423,984
Other	600	0	600
<i>Total Operating Expenses</i>	<u>853,852</u>	<u>1,423,984</u>	<u>2,277,836</u>
<i>Operating Income (Loss)</i>	<u>(119,968)</u>	<u>6,027</u>	<u>(113,941)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Federal Donated Commodities	41,337	0	41,337
Operating Grants	77,412	0	77,412
<i>Total Non-Operating Revenues (Expenses)</i>	<u>118,749</u>	<u>0</u>	<u>118,749</u>
<i>Income (Loss) before Operating Transfers</i>	(1,219)	6,027	4,808
Operating Transfers In	30,000	0	30,000
<i>Net Income</i>	28,781	6,027	34,808
<i>Retained Earnings Beginning of Year (Restated Note 3)</i>	<u>74,843</u>	<u>1,589</u>	<u>76,432</u>
<i>Retained Earnings End of Year</i>	103,624	7,616	111,240
<i>Contributed Capital Beginning and End of Year</i>	<u>134,714</u>	<u>0</u>	<u>134,714</u>
<i>Total Fund Equity End of Year</i>	<u>\$238,338</u>	<u>\$7,616</u>	<u>\$245,954</u>
See accompanying notes to the general purpose financial statements.			

**Olmsted Falls City School District**  
*Combined Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999*

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Sales	\$730,588	\$746,030	\$15,442
Charges for Services	0	0	0
Operating Grants	77,412	77,412	0
<i>Total Revenues</i>	<u>808,000</u>	<u>823,442</u>	<u>15,442</u>
<b>Expenses</b>			
Salaries and Wages	277,499	291,537	(14,038)
Fringe Benefits	85,146	86,342	(1,196)
Purchased Services	5,020	4,603	417
Materials and Supplies	450,014	418,115	31,899
Claims	0	0	0
Other	600	600	0
<i>Total Expenses</i>	<u>818,279</u>	<u>801,197</u>	<u>17,082</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(10,279)	22,245	32,524
Operating Transfers In	0	30,000	30,000
<i>Excess of Revenues Over (Under) Expenses, and Operating Transfers</i>	(10,279)	52,245	62,524
<i>Fund Equity (Deficit) Beginning of Year</i>	(24,797)	(24,797)	0
Prior Year Encumbrances Appropriated	10,279	10,279	0
<i>Fund Equity (Deficit) End of Year</i>	<u>(\$24,797)</u>	<u>\$37,727</u>	<u>\$62,524</u>
See accompanying notes to the general purpose financial statements.			(continued)

**Olmsted Falls City School District**  
*Combined Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types (continued)  
For the Fiscal Year Ended June 30, 1999*

	Internal Service Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Sales	\$0	\$0	\$0
Charges for Services	1,400,000	1,423,705	23,705
Operating Grants	0	0	0
<i>Total Revenues</i>	<u>1,400,000</u>	<u>1,423,705</u>	<u>23,705</u>
<b>Expenses</b>			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Purchased Services	0	0	0
Materials and Supplies	0	0	0
Claims	1,500,000	1,416,469	83,531
Other	0	0	0
<i>Total Expenses</i>	<u>1,500,000</u>	<u>1,416,469</u>	<u>83,531</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(100,000)	7,236	107,236
Operating Transfers In	0	0	0
<i>Excess of Revenues Over (Under) Expenses and Operating Transfers</i>	(100,000)	7,236	107,236
<i>Fund Equity (Deficit) Beginning of Year</i>	380	380	0
Prior Year Encumbrances Appropriated	0	0	0
<i>Fund Equity (Deficit) End of Year</i>	<u>(\$99,620)</u>	<u>\$7,616</u>	<u>\$107,236</u>

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$730,588	\$746,030	\$15,442
1,400,000	1,423,705	23,705
77,412	77,412	0
<u>2,208,000</u>	<u>2,247,147</u>	<u>39,147</u>
277,499	291,537	(14,038)
85,146	86,342	(1,196)
5,020	4,603	417
450,014	418,115	31,899
1,500,000	1,416,469	83,531
600	600	0
<u>2,318,279</u>	<u>2,217,666</u>	<u>100,613</u>
(110,279)	29,481	139,760
<u>0</u>	<u>30,000</u>	<u>30,000</u>
(110,279)	59,481	169,760
(24,417)	(24,417)	0
<u>10,279</u>	<u>10,279</u>	<u>0</u>
<u>(\$124,417)</u>	<u>\$45,343</u>	<u>\$169,760</u>

**Olmsted Falls City School District**  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types*  
*For the Fiscal Year Ended June 30, 1999*

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$746,030	\$0	\$746,030
Cash Received from Quasi-External Transactions with Other Funds	0	1,423,705	1,423,705
Cash Payments to Suppliers for Goods and Services	(416,850)	0	(416,850)
Cash Payments to Employees for Services	(376,009)	0	(376,009)
Cash Payments for Claims	0	(1,416,469)	(1,416,469)
<b><i>Net Cash Provided by (Used for) Operating Activities</i></b>	<b>(46,829)</b>	<b>7,236</b>	<b>(39,593)</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Transfers In	30,000	0	30,000
Operating Grants Received	77,412	0	77,412
<b><i>Net Increase in Cash and Cash Equivalents</i></b>	<b>60,583</b>	<b>7,236</b>	<b>67,819</b>
Cash and Cash Equivalents Beginning of Year	(14,521)	380	(14,141)
<b><i>Cash and Cash Equivalents End of Year</i></b>	<b>\$46,062</b>	<b>\$7,616</b>	<b>\$53,678</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	(\$119,968)	\$6,027	(\$113,941)
Adjustments:			
Depreciation	26,945	0	26,945
Donated Commodities Used During Year	41,337	0	41,337
(Increase) Decrease in Assets:			
Due from Other Funds	0	(7,515)	(7,515)
Accounts Receivable	25,976	1,209	27,185
Inventory Held for Resale	10,335	0	10,335
Intergovernmental Receivable	(13,830)	0	(13,830)
Increase (Decrease) in Liabilities:			
Accounts Payable	(6,841)	0	(6,841)
Accrued Wages	(21,786)	0	(21,786)
Deferred Revenue	(3,924)	0	(3,924)
Intergovernmental Payable	14,926	0	14,926
Claims Payable	0	7,515	7,515
<b><i>Total Adjustments</i></b>	<b>73,138</b>	<b>1,209</b>	<b>74,347</b>
<b><i>Net Cash Provided by (Used for) Operating Activities</i></b>	<b>(\$46,830)</b>	<b>\$7,236</b>	<b>(\$39,594)</b>

See accompanying notes to the general purpose financial statements.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 1 - Description of the School District and Reporting Entity**

The Olmsted Falls City School District operates under a locally elected five member Board and provides educational services as mandated by State/or federal agencies. The School District, located in Cuyahoga and Lorain Counties with the majority of the district located in Cuyahoga County, includes the City of Olmsted Falls, a small portion of the City of Berea, Olmsted Township and a small portion of Columbia Hills Township. All of the communities served are located in Cuyahoga County with the exception of Columbia Hills Township, which is located in Lorain County. It is staffed by 107 non-certified personnel, 202 certified full-time teaching personnel and 13 administrative employees to provide services to 2,953 students and other community members. The School District operates 2 elementary schools (K-5), 1 middle school (7-8), and 1 high school (9-12).

On March 22, 1999, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. New legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the new law, a seven-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt, and implement a five year financial recovery plan. The Commission accordingly adopted the School District's Plan on June 21, 1999. The Commission is comprised of a designee of the State Superintendent of Public Instruction, the School District Superintendent, a designee of the State Director of Budget and Management, an appointee of the governor, a designee of the County Auditor, the County Auditor, and a district appointed parent of a school district child. Once the plan has been adopted, the Board of Education discretion is limited in that all financial activity of the School District must be in accordance with the plan.

*Reporting Entity*

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

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

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organization are the Lake Erie Educational Computer Association (LEECA), the Ohio Schools Council the Polaris Career Center, and the Ohio School Boards Association Workers' Compensation Group

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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Rating Program. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

## **Note 2 - Summary of Significant Accounting Policies**

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

### ***A. Basis Of Presentation - Fund Accounting***

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

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

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

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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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

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

*Proprietary Fund Types:*

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 types:

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

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

*Fiduciary Fund Type:*

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 only fiduciary funds are agency funds. Agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

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

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

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

***B. Measurement Focus And Basis Of Accounting***

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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after 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 type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred, if measurable. There were no unbilled service charges receivables at year end. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

### ***C. Budgetary Process***

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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general and debt service funds. The legal level of budgetary control is at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

*Tax Budget:*

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

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

*Estimated Resources:*

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 statement 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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations, within a the general or debt service fund, or alter object appropriations within functions within the general or debt service fund must be approved by the Board of Education.

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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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. Expenditures plus encumbrances may not legally exceed appropriations. 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 Investments***

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's 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 manuscript bonds, STAROhio, and repurchase agreements.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$225,902, which includes \$172,248 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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***E. 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.

***F. Fixed Assets And Depreciation***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the 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 date received. The School District does not have any infrastructure.

Improvements are capitalized and depreciated over the remaining useful lives of fund fixed assets. 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 to proprietary fund fixed assets are depreciated

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years.

***G. 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 Purchases
- State Property Tax Relief

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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*Non-Reimbursable Grants*

*Special Revenue Funds*

- Auxiliary Services
- Teacher Development
- Title VI B
- Title I
- Title VI
- Drug Free Schools
- Management Information Systems
- Early Childhood Education Development
- School to Work
- Conflict Management
- Data Communications
- Education for Economic Security
- Textbook Subsidy
- Vocational Education

*Capital Projects Fund*

- School Net Plus

*Reimbursable Grants*

*General Fund*

- Driver Education Reimbursement

*Proprietary Funds*

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately thirty-six percent of the School District's operating revenue during the 1999 fiscal year.

***H. 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."

***I. 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 to create a reserve for budget stabilization. See Note 24 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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***J. Compensated Absences***

The School District records compensated absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after two years of current service with the School District.

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

***K. Accrued Liabilities And Long-Term Obligations***

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources. Bonds, long term notes and capital leases are recognized as a liability of the general long-term obligations account group until due.

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

***L. Interfund Transactions***

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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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***M. Fund Balance Reserves***

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

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 the statute to protect against cyclical changes in revenues and expenditures.

***N. 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 year end.

***O. Estimates***

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

***P. Memorandum Only - Totals Columns***

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

**Note 3 - Restatement of Fund Equity and General Long-Term Obligations**

At June 30, 1998, due to other funds were understated by \$150,635 in the general fund. Due from other funds were understated by \$150,635 in the internal service fund. The Library Gift expendable trust fund was reclassified as a special revenue fund. Inventory was understated in the enterprise funds by \$14,562. The following adjustments had the following effect on fund balance/retained earnings:

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

Governmental Fund Types

	General	Special Revenue	Expendable Trust
Fund Balance as Previously Reported	(\$3,091,971)	\$179,417	\$41,847
Understatement of Due to Other Funds	(150,635)	0	0
Reclassification of Funds	0	41,847	(41,847)
Restated Fund Balance June 30, 1998	<u>(\$3,242,606)</u>	<u>\$221,264</u>	<u>\$0</u>

Proprietary Fund Types

	Enterprise	Internal Service
Retained Earnings as Previously Reported	\$60,281	(\$149,046)
Understatement of Due from Other Funds	0	150,635
Understatement of Inventory	14,562	0
Restated Retained Earnings June 30, 1998	<u>\$74,843</u>	<u>\$1,589</u>

At June 30, 1998 the general long-term obligations account group was restated by \$8,403,642 from \$29,422,711 to \$21,019,069 due to the following:

	General Long-term Obligations
Balance as Previously Reported	\$21,019,069
Understatement of Capital Lease Liability	24,240
Understatement of General Obligation Bonds	99,615
Understatement of Classroom Facilities Loan	8,279,787
Restated Balance June 30, 1998	<u>\$29,422,711</u>

**Note 4 - Accountability and Compliance**

The general fund is reporting a deficit fund balance which is the result of the recognition of payables in the conversion to generally accepted accounting principals. The School District was placed in a state of fiscal emergency by the Auditor of State on March 22, 1999.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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The following general fund accounts had budgetary expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code Section 5705.41 (B) and (D).

Fund/Function/Object	Appropriations	Expenditures	Excess
<b>General Fund</b>			
<i>Instruction</i>			
<i>Regular</i>			
Other	\$2,864	\$3,527	\$663
Capital Outlay	10,000	23,514	13,514
<i>Vocational</i>			
Salaries	120,000	180,909	60,909
Fringe Benefits	33,000	58,043	25,043
Purchased Services	2,000	2,018	18
Materials and Supplies	2,210	4,002	1,792
Capital Outlay	0	17,352	17,352
<i>Adult and Continuing</i>			
Salaries	5,000	8,802	3,802
Materials and Supplies	1,000	1,169	169
<i>Other</i>			
Purchased Services	398,362	825,271	426,909
<i>Support Services</i>			
<i>Pupils</i>			
Other	0	21,161	21,161
Capital Outlay	0	207	207
<i>Instructional Staff</i>			
Salaries	380,000	400,009	20,009
Fringe Benefits	90,000	161,280	71,280
<i>Board of Education</i>			
Salaries	7,500	7,520	20
Purchased Services	51,182	128,654	77,472
<i>Administration</i>			
Fringe Benefits	275,000	408,941	133,941
Materials and Supplies	31,636	39,759	8,123

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

Fund/Function/Object	Appropriations	Expenditures	Excess
<i>Fiscal</i>			
Salaries	\$180,000	\$189,666	\$9,666
Fringe Benefits	60,000	71,811	11,811
Other	136,509	265,088	128,579
<i>Operation and Maintenance of a Plant</i>			
Salaries	1,025,000	1,100,135	75,135
Fringe Benefits	250,000	293,759	43,759
Purchased Services	715,941	904,315	188,374
Other	2,000	7,029	5,029
<i>Pupil Transportation</i>			
Salaries	570,000	615,794	45,794
Fringe Benefits	200,000	230,167	30,167
Materials and Supplies	131,454	212,813	81,359
<i>Central</i>			
Materials and Supplies	5,715	28,236	22,521
Other	0	3,235	3,235
Capital Outlay	0	1,566	1,566
<b><i>Non - Instructional Services</i></b>			
<i>Food Service Operations</i>			
Salaries	0	2,361	2,361
Fringe Benefits	0	73	73
<i>Community Services</i>			
Salaries	0	6,366	6,366
Fringe Benefits	0	92	92
<b><i>Extracurricular Activities</i></b>			
<i>Academic and Subject Oriented Activities</i>			
Fringe Benefits	2,500	4,048	1,548
<i>Sport Oriented Activities</i>			
Salaries	255,000	285,334	30,334
Fringe Benefits	20,000	51,116	31,116
Purchased Services	3,000	5,461	2,461
Materials and Supplies	0	765	765
<b><i>Capital Outlay</i></b>			
<i>Site Improvement Services</i>			
Capital Outlay	0	371	371
<i>Building Acquisition</i>			
Purchased Services	63,000	84,000	21,000
<b><i>Debt Service</i></b>			
Principal Repayment	3,938,013	4,232,649	294,636
<b><i>Other Financing Uses</i></b>			
Operating Transfers Out	1,800	31,770	29,970

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

Fund/Function/Object	Appropriations	Expenditures	Excess
<b>Special Revenue Funds</b>			
Special Trust Fund	\$70,225	\$108,765	\$38,540
Auxiliary Services Fund	173,456	182,597	9,141
Miscellaneous State Grant Fund	0	1,557	1,557
<b>Capital Projects Funds</b>			
Permanent Improvement Fund	63,423	68,986	5,563
Building Fund	1,107,216	1,186,660	79,444
<b>Enterprise Fund</b>			
Food Services Fund	701,500	711,811	10,311

Budgetary expenditures exceeded appropriations in total by fund for the following funds:

The following funds had total appropriations in excess of estimated resources plus carryover balances in violation of Section 5705.39, Ohio Revised Code:

	Revenues plus Carryover Balances	Appropriations	Excess
<b>Special Revenue Funds</b>			
Title VI-B	\$151,186	\$157,821	\$6,635
Title I	52,009	53,819	1,810
<b>Capital Projects Fund</b>			
Building	1,073,833	1,107,216	33,383
<b>Enterprise Fund</b>			
Food Service	676,379	701,500	25,121
<b>Internal Service Fund</b>			
Self Insurance	1,400,380	1,500,000	99,620

Additionally, the School District did not always certify the availability of funds and encumber contracts/expenditures prior to initiating the purchase transaction contrary to Ohio Revised Code Section 5705.41 (D).

**Note 5 - Budgetary Basis of Accounting**

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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balances for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$1,919,378)	59,207	\$21,921	(\$36,732)
Revenue Accruals	(7,155)	0	107,751	18,736
Expenditure Accruals	(670,276)	(30,626)	0	(130,600)
Note activity with differing Fund treatment:				
Taxes Revenue	(260,323)	0	260,323	0
Principal Retirement	194,648	0	(194,648)	0
Interest and Fiscal Charges	65,675	0	(65,675)	0
Loan Proceeds	2,157,000	0	0	0
Note Proceeds	1,900,000	0	0	0
Encumbrances	(351,220)	(94,971)	0	(994,087)
Budget Basis	\$1,108,971	(66,390)	\$129,672	(\$1,142,683)

Net Income/Excess of Revenues Over Expenses  
Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$28,781	\$6,027
Revenue Accrual	(29,191)	(6,306)
Expense Accrual	34,045	7,515
Depreciation Expense	26,945	0
Encumbrances	(8,335)	0
Budget Basis	\$52,245	\$7,236

**Olmsted Falls City School District**  
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**Note 6- Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings 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 must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

**Olmsted Falls City School District**  
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7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At year end, the School District had \$4,415 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.

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was (\$141,666) and the bank balance was \$254,672. \$100,000 of the bank balance was covered by federal depository insurance. \$154,672 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance 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 fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Carrying Value	Fair Value
Manuscript Bond	\$68,595	\$0	\$68,595	\$68,595
Repurchase Agreement		540,000	540,000	540,000
STAROhio			3,184,554	3,184,554
Totals			<u>\$3,793,149</u>	<u>\$3,793,149</u>

**Olmsted Falls City School District**  
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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 Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Accounting".

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$3,587,303	\$68,595
Investments which are part of the		
Cash management pool:		
Repurchase Agreement	(540,000)	540,000
STAROhio	(3,184,554)	3,184,554
Cash on Hand	(4,415)	0
GASB Statement 3	(\$141,666)	\$3,793,149

**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) are for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value listed 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 1999 with real property taxes.

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

**Olmsted Falls City School District**  
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The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$263,043,160	90.21%	\$269,892,300	90.99%
Public Utility	18,535,280	6.36	16,750,350	5.65
Tangible Personal Property	9,995,226	3.43	9,974,089	3.36
<b>Total Assessed Value</b>	<u><u>\$291,573,666</u></u>	<u><u>100.00%</u></u>	<u><u>\$296,616,739</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$80.10		\$81.90	

The School District approved a 12.9 mill operating levy at the February 1999 election. Collections on the levy will commence in fiscal year 2000.

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

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

The School District receives property taxes from Cuyahoga and Lorain Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurers collect property taxes on behalf of all taxing districts in the county, including Olmsted Falls City School District. The County Auditors periodically remit 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 as an advance at June 30, 1999, was \$1,213,476 and is recognized as revenue. \$1,034,591 was available to the general fund, \$165,922 to the debt service fund and \$12,963 to the classroom facilities fund.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 8 - Receivables**

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

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Rentals Receivable	\$18,944
Tuition and fees	13,487
Other	<u>9,754</u>
Total General Fund	<u>42,185</u>
Food Service Enterprise Fund	
School Lunch Program	<u>13,830</u>
Total Intergovernmental Receivables	<u><u>\$56,015</u></u>

**Note 9 - Settlement Receivable**

The Olmsted Falls City School District in conjunction with Olmsted Falls Township challenged a real property tax exemption claimed and received by The Renaissance Retirement Center. The exemption was granted for the tax years 1991 to 2006. This exemption was based on the facility providing medical services as a hospital. The challenge was appealed until reaching the Ohio Supreme Court. The Ohio Supreme Court ruled that some portion of the property was and is taxable. The taxable portion was then disputed. On May 13, 1998 a settlement was reached between The Renaissance Retirement Center, Olmsted Township, and Olmsted Falls City School District which provides a mortgage to Olmsted Falls City School District and Olmsted Township on several properties owned by The Renaissance Retirement Center. The settlement provides that The Renaissance Retirement Center shall make payments directly to the Olmsted Falls City School District. In the event of a default on the payments by The Renaissance, the mortgage provided by the settlement allows the Olmsted Falls City School District and Olmsted Township to foreclose on several properties owned by the Renaissance. The payments are to be made semi-annually beginning in January 1999 and continuing thru July 2007. The total future payments to be made to the School District is reflected on the financial statements as settlement receivable and deferred revenue in the general fund.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

**Note 10 - Fixed Assets**

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

Furniture and Equipment	\$532,677
Less Accumulated Depreciation	(293,627)
Net Fixed Assets	\$239,050

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$1,547,416	\$0	\$0	\$1,547,416
Buildings	25,170,333	0	0	25,170,333
Furniture and Equipment	4,634,089	226,223	(5,877)	4,854,435
Vehicles	1,668,110	125,103	0	1,793,213
Textbooks and Library Books	712,584	0	0	712,584
Totals	\$33,732,532	\$351,326	(\$5,877)	\$34,077,981

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with the Nationwide Insurance Company Commercial Insurance Company for property insurance. The deductible is \$1,000 per incident. Vehicles are insured with Nationwide as well and have a \$250 deductible. Professional liability is protected by the Nationwide Mutual Insurance Company for all Board Members, administrators, and employees with limits of \$2,000,000 per occurrence and \$5,000,000 aggregate limit.

The Ohio Casualty Insurance Company maintains both a \$20,000 public official bond for the Superintendent, and a \$20,000 public official bond for the Board of Education President. A \$20,000 public official bond for the Treasurer is maintained by Nationwide Insurance. Other employees handling money are covered by a \$5,000 public employees blanket bond provided by Ohio Casualty Insurance.

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

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

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

The School District has elected to provide medical/surgical, vision, prescription and dental coverage benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. This plan provides two medical insurance options. Traditional has a \$100 single and \$200 family deductible, SuperMed has no deductible. The Board pays \$510.83 family and \$194.26 single per month into the internal service fund for the Traditional plan and \$456.64 family, \$173.03 single for the SuperMed plan. The dental plan has no deductible. The Board pays \$44.18 per month into the internal service fund for the dental plan. The vision plan has no deductible and the Board pays \$22.14 per month to the internal service fund for the vision plan. The prescription plan has no deductible and the board pays \$119.54 family, \$47.82 single for the prescription plan. A third party administrator, Medical Mutual of Ohio, reviews all claims which are then paid by the School District. The premiums are paid by the fund that pays the salary for the employee.

The claims liability of \$158,150 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator. The requirements of Governmental Accounting Standards Board Statement No. 10 require that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1997 thru 1999 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1997	\$148,825	\$1,527,405	\$1,260,624	\$415,606
1998	415,606	1,282,986	1,547,957	150,635
1999	150,635	1,423,984	1,416,469	158,150

**Note 12 - 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 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 43215-3634.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$279,470, \$434,151 and \$395,246, respectively; 50.11 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$285,204 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 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations 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 \$580,744, \$1,267,735 and \$1,217,617, respectively; 85.32 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$198,982 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**Note 13 - 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 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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$290,359 for fiscal year 1999.

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

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 was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$292,084.

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

## **Note 14 - 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 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. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 90 days for classified employees and 80 days for certified employees.

### ***B. Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is equal to employees' annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through the Medical Mutual Life Insurance Company.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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**Note 15 - Leases**

**A. Capital Leases**

During fiscal year 1999, the School District entered into capitalized leases for buses, vans, and telephone equipment. The lease agreements are accounted for on a GAAP basis as a capital outlay expenditure in the capital projects funds with an offsetting amount reported as an other financing source.

The leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

General fixed assets consisting of equipment, vehicles, and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$1,085,502. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$183,485 in the governmental funds.

The following is a schedule of the future 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	\$240,438
2001	234,408
2002	146,497
2003	69,115
2004	69,710
2005	14,768
Total	774,936
Less: Amount Representing Interest	(101,148)
Present Value of Net Minimum Lease Payments	\$673,788

**B. Operating Leases**

The School District has several noncancellable operating leases. The future minimum lease payments are as follows:

Fiscal Year Ending June 30,	GLTOAG
2000	\$157,640
2001	74,259
2002	63,531
2003	17,848
Total	313,278

**Olmsted Falls City School District**  
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**Note 16 - 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 6/30/99
<i>General Obligation Bonds:</i>				
Classroom Facilities Improvement 1995: 5.10-5.85%	\$7,625,000	\$0	(\$285,000)	\$7,340,000
Energy Conservation Improvement 1995: varying interest rates	990,000	0	(120,000)	870,000
School Improvement Refunding 1997 3.85-4.55%	5,830,000	0	(800,000)	5,030,000
School Improvement Refunding Capital Appreciation Debt 1997 6.50-6.75%	3,098,337	209,269	0	3,307,606
Various Purpose Improvement 1998 4.60%	270,000	0	(20,000)	250,000
High School Property	75,000	0	(37,500)	37,500
<b>Total General Obligation Bonds</b>	<b>17,888,337</b>	<b>209,269</b>	<b>(1,262,500)</b>	<b>16,835,106</b>
<i>General Obligation Long-Term Notes:</i>				
Energy Conservation Improvement 1992 5.75%	85,743	0	(17,148)	68,595
<i>State Classroom Facilities Loan:</i>				
Classroom Facilities Loan	8,279,787	0	(63,491)	8,216,296
<i>Capital Leases:</i>				
Kodak Copier 1995 11.15%	10,398	0	(4,490)	5,908
National City Bank Fitness Equipment 1996 5.63%	12,050	0	(12,050)	0
Finova Musical Instruments 1996	32,096	0	(9,650)	22,446
Orix Musical Instruments 1996 5.75%	28,875	0	(8,091)	20,784
National City Bank Computers 1996 6.59%	346,793	0	(93,740)	253,053
FirstMerit Computers 1997 10.00%	124,070	0	(24,657)	99,413
BlueBird Busses 1998 5.54%	127,637	0	(18,512)	109,125
All Lines Leasing Various Equipment 1998	6,509	0	(2,415)	4,094
BlueBird Bus				

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 1999

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
1998 5.54%	0	77,188	(3,508)	73,680
Merrick Chevrolet Vans				
1998 8.34%	\$0	\$47,915	(\$2,991)	\$44,924
Inter-Tel Phone Equipment				
1999 10.95%	0	43,742	(3,381)	40,361
Total Capital Leases	<u>688,428</u>	<u>168,845</u>	<u>(183,485)</u>	<u>673,788</u>
Pension Obligation	74,389	73,252	(74,389)	73,252
Compensated Absences	2,406,027	169,968	(206,748)	2,369,247
<i>Total General Long-Term Obligations</i>	<u>\$29,422,711</u>	<u>\$621,334</u>	<u>(\$1,807,761)</u>	<u>\$28,236,284</u>

All general obligation bonds will be paid from property taxes. Capital lease obligations will be paid from the fund utilizing the assets. Compensated absences and the pension obligation will be paid from the fund from which the person is paid.

The 1995 Classroom Facilities Improvement bonds were issued in the amount of \$10,500,000 as a result of the School District being approved for a \$8,654,439 school facilities loan as of December 1995 through the State Department of Education. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loan, the School District was required to pass a 0.5 mill levy. Of the 0.5 mill levy, half of the .5 mill is used for the retirement of the loan, and the other half is for facilities maintenance. This levy will be in effect for twenty-three years or until the loans with the State are repaid, whichever comes first. If a balance remains after twenty-three years, the unpaid balance on the loan will be forgiven. The bonds and loans will be repaid with tax revenue.

The 1997 general obligation bonds include capital appreciation bonds. This year the addition on these bonds include \$209,269, which represents the accretion of discounted interest remaining in fiscal year 1999 on the capital appreciation bonds.

The School District's overall voted legal debt margin at June 30, 1999, was \$6,803,207 with an unvoted debt margin of \$291,574 at June 30, 1999. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$1,397,500	\$664,159	\$2,061,659
2001	1,025,000	609,977	1,634,977
2002	870,000	566,681	1,436,681
2003	905,000	525,565	1,430,565
2004	965,000	481,029	1,446,029
2005-2009	4,681,528	2,820,624	7,502,152
2010-2014	3,411,078	3,572,219	6,983,297
2015-2019	3,580,000	433,778	4,013,778
<b>Total</b>	<u>\$16,835,106</u>	<u>\$9,674,032</u>	<u>\$26,509,138</u>

**Olmsted Falls City School District**  
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*For the Fiscal Year Ended June 30, 1999*

**Note 17 - Fund Obligations**

The School District's note and loan activity for the fiscal year ended June 30, 1999, was as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
<b>General Fund</b>				
Spending Reserve Note 1998 4.10%	\$275,000	\$0	\$275,000	\$0
Tax Anticipation Note 1999 5.50%	0	1,900,000	0	1,900,000
Ohio School Districts Cash Flow Borrowing Program 1998 4.05%	0	3,763,000	3,763,000	0
<b>Total Short Term Notes</b>	<b>275,000</b>	<b>5,663,000</b>	<b>4,038,000</b>	<b>1,900,000</b>
School Solvency Assistance Loan 1999 0.00%	0	2,157,000	0	2,157,000
<b>Total Short Term Obligations</b>	<b>\$275,000</b>	<b>\$7,820,000</b>	<b>\$4,038,000</b>	<b>\$4,057,000</b>

The notes are backed by the full faith and credit of the Olmsted Falls City School District and mature within one year. The note and loan liability is reflected in the fund which received the proceeds.

**Note 18 - Jointly Governed Organizations**

**A. Lake Erie Educational Computer Association (LEECA)**

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. The Olmsted Falls City School District paid \$62,727 to LEECA in fiscal year 1999. Each School district supports LEECA based on a per pupil charge dependent upon the software packages used. Financial information can be obtained by contacting the Treasurer at the Lorain County Board of Education, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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***B. Ohio Schools Council***

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1998, the School District paid \$800 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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

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

***C. Polaris Career Center***

The Polaris Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school district's elected board, which possess its own budgeting and taxing authority. Accordingly, the Polaris Career Center is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio.

**Note 19 - Public Entity Risk Pool**

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

**Note 20 - State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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the School District. During the fiscal year ended June 30, 1999, the School District received \$4,557,686 of school foundation support for its general fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. During fiscal year 1999, the School District had borrowed \$2,157,000 under this program; the final payment of this note will be made in fiscal year 2001. The terms of the debt are further described in Note 17 th these financial statements.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the school district did not borrow under this program. However, the School District repaid \$275,000 borrowed in fiscal year 1998. For the last three fiscal years, the School District has relied on this borrowing to meet its cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$8,654,439 under this program.

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

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 these programs 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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

**B. Litigation**

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

**Note 22 - Segment Information for Enterprise Funds**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supply sales. The table below reflects the more significant financial data relating to the enterprise funds of the Olmsted Falls City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Totals
Operating Revenues	\$636,380	\$97,504	\$733,884
Operating Expenses			
less Depreciation	747,816	79,091	826,907
Depreciation Expense	26,945	0	26,945
Donated Commodities	41,337	0	41,337
Operating Grants	77,412	0	77,412
Net Income (Loss)	10,369	18,412	28,781
Net Working Capital	(48,372)	47,660	(712)
Total Assets	285,781	50,891	336,672
Total Equity	190,678	47,660	238,338
Encumbrances Outstanding at June 30, 1999	1,870	6,465	8,335

**Note 23 - Year 2000 Issue**

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

Olmsted Falls City School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll, and grant reporting.

The Lake Erie Educational Computer Association State Software Development Team has indicated that:

“The payroll processing software supported with the OECN State Software is compliant with the Year 2000.”

“The accounting software supported with the OECN State Software is compliant with the Year 2000.”

“The education management information system software supported with the OECN State Software is compliant with the Year 2000.”

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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“The equipment inventory and vehicle inventory system software supported with the OECN State Software will be compliant with the Year 2000, beginning with the March 1999 release of SAAS V2.1.”

Property tax billing, collection and remittance for the School District is handled by Cuyahoga County. The County is responsible for remediating this system.

The Cleveland Electric Illuminating Company (CEI) and Ohio Edison (OE) provide the electricity to the District. The District has not obtained assurances from CEI or OE regarding remediating these systems. CEI and OE are responsible for remediating these systems.

The City of Cleveland (City) provides water, and the Northeast Ohio Regional Sewer District (NORS) provides sewer and sanitation services and Columbia Gas (CG) provides gas service to the District. The City, NORS, and CG are responsible for remediating these systems.

The State of Ohio provides funding through the School Foundation program. The State is responsible for remediating this system.

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 the year 2000 and thereafter. Management cannot assure that the District is, or will be, Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

**Note 24 - Set asides**

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside for budget stabilization if the School District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve. The School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

The following information describes any changes in the amounts set-aside for textbooks and instructional materials, capital improvements, budget stabilization, and school bus purchases from the end of the prior year to the end of the current year.

	Textbooks	Capital Improvement	Budget Reserve	Total
Balance carried forward July 1, 1998	\$0	\$0	\$106,632	\$106,632
Current Year Set-Aside				
Requirement	\$291,270	\$291,270	\$0	\$582,540
Qualifying Expenditures	(247,320)	(234,388)	0	(481,708)
Offsets	(43,950)	(65,132)	0	(109,082)
Total	<u>\$0</u>	<u>(\$8,250)</u>	<u>\$106,632</u>	<u>\$98,382</u>
Balance of Set-Aside carried				
Forward from Fiscal Year 1999	<u>\$0</u>	<u>\$0</u>	<u>\$106,632</u>	<u>\$106,632</u>
Amount Restricted for Bus Purchases				39,712
Total Restricted Assets				<u>\$146,344</u>

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

**Note 25 – Contractual Commitments**

The Olmsted Falls City School District had the following contractual commitments outstanding at June 30, 1999:

Project	Contractor	Original Amount	Amount Paid	Amount Remaining
MS Construction	Lesko Associates, Inc	\$35,000	\$13,124	\$21,876
Contract, Reimburse	Wilson Bennett, Inc	850,105	671,231	178,874
Phase IV Technology	Norstan Communications	454,165	426,872	27,293
Services	Custom Fabricators	3,483	0	3,483
M.S. Services	Foti Construction	50,433	0	50,433
Services for M. S.	Franklin Roofing, Inc	120,068	55,000	65,068
Services for M. S.	J.P. Sorma Construction	387,245	321,263	65,982
Services for M. S.	Northeastern Cement, Inc.	114,323	0	114,323
Services for M. S.	Ogrinc Mechanical Corp.	26,963	3,400	23,563
Services for M. S.	Soehnlén Piping Co.	27,216	12,951	14,265
Services for M. S.	Cole Excavators, Inc.	36,179	0	36,179
		<u>\$2,105,180</u>	<u>\$1,503,841</u>	<u>\$601,339</u>

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 26 – Subsequent Events**

The District's treasurer resigned on November 16, 1999. The District appointed an interim treasurer on November 17, 1999 and is currently conducting an employment search for a permanent treasurer.

The District issued Tax Revenue Notes, Series 1999-2000, in the amount of \$2,000,000, on December 15, 1999. These notes were issued in anticipation of the collection of current property tax revenues and will mature on June 30, 2000.

**Note 27 – Going Concern**

The District has been experiencing recurring deficit spending in the General Fund. Because of these difficulties the District was placed into fiscal emergency by the Auditor of State on March 22, 1999. A seven member Financial Planning and Supervision Commission was established to oversee all financial affairs of the District.

The District obtained \$4,057,000 in loans to alleviate the anticipated cash shortfalls in the General Fund as of June 30, 1999. The unreserved General Fund balance as of June 30, 1999 was \$269,697.

A 12.9 mill operating levy was passed in February of 1999 to help alleviate the operating difficulties. The levy is estimated to generate an additional \$3,800,000 annually. The District believes that with the additional tax revenues and other cost cutting measures, it will be able to adequately finance future operations, including repayment of loans, and return to a positive cash position.

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**Schedule of Federal Awards Expenditures  
for the year ended June 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U. S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution	NA	10.550	\$0	\$37,413	\$0	\$41,364
National School Lunch Program	044701 03/04-PU-98	10.555	77,412	0	77,412	0
Total U. S. Department of Agriculture - Nutrition Cluster			<b>77,412</b>	<b>37,413</b>	<b>77,412</b>	<b>41,364</b>
<b>U. S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	046573 6B-SF-99	84.027	140,017	0	132,471	0
	046573 6B-SF-98		0	0	11,169	0
Special Education - Pre-School Grants	046573 PG-S1-99	84.173	18,252	0	14,862	0
	046573 PG-S1-98		0	0	1,639	0
Total Special Education Cluster			<b>158,269</b>	<b>0</b>	<b>160,141</b>	<b>0</b>
Grants to Local Educational Agencies (ESEA Title I)						
	046573 C1-S1-99	84.010	776	0	39,848	0
	046573 C1-S1-98		51,233	0	766	0
Subtotal			<b>52,009</b>	<b>0</b>	<b>40,614</b>	<b>0</b>
Innovative Educ. Program Strategy						
	046573 C2-S1-99	84.298	12,046	0	4,099	0
	046573 C2-S1-98		0	0	8,067	0
	046573 C2-S1-97		0	0	1,177	0
	046573 C2-S1-96		0	0	113	0
Subtotal			<b>12,046</b>	<b>0</b>	<b>13,456</b>	<b>0</b>
Eisenhower Professional Development State Grants						
	046573 MS-S1-97	84.281	0	0	363	0
Safe and Drug-Free Schools and Communities State Grants						
	046573 DR-S1-99	84.186	4,592	0	1,826	0
	046573 DR-S1-98		0	0	8,054	0
Subtotal			<b>4,592</b>	<b>0</b>	<b>9,880</b>	<b>0</b>
Goals 2000 State and Local Education Systemic Improvement						
	046573 G2-A2-99	84.276	1,030	0	1,030	0
Total U. S. Department of Education			<b>227,946</b>	<b>0</b>	<b>225,484</b>	<b>0</b>
<b>U. S. Department of Labor</b>						
<i>Passed Through the Ohio Department of Education</i>						
School to Work	046753 WK-BE-99	17.249	5,000	0	0	0
Total U. S. Department of Labor			<b>5,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Federal Assistance			<b>\$310,358</b>	<b>\$37,413</b>	<b>\$302,896</b>	<b>\$41,364</b>

The accompanying notes to this schedule are an integral part of this schedule.

**Olmsted falls City School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 1999*

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**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. Values may change from month to month and are entirely subjective. At June 30, 1999, the District had no significant food commodities in inventory.

**NOTE C - NATIONAL SCHOOL LUNCH PROGRAM**

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

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education  
Olmsted Falls City School District  
26937 Bagley Road  
Olmsted Falls, Ohio 44138-0010

We have audited the financial statements of the Olmsted Falls City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 15, 1999, wherein we noted recurring losses from operations raising substantial doubt about the District's ability to continue operations and also noted a change in a fund classification. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10818-001 through 1999-10818-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 15, 1999.

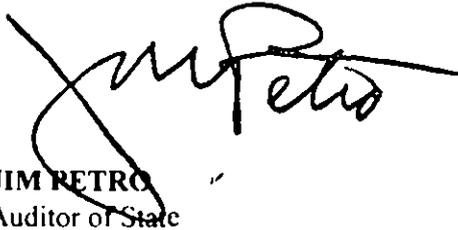
**Internal Control Over Financial Reporting**

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

Olmsted Falls City School District  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page -2-

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 15, 1999.

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.

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

**JIM PETRO**  
Auditor of State

December 15, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education  
Olmsted Falls City School District  
26937 Bagley Road  
Olmsted Falls, Ohio 44138-0010

**Compliance**

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

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

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

**Internal Control Over Compliance**

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

Olmsted Falls City School District  
Report on Compliance with Requirements Applicable to Its Major  
Federal Program and Internal Control Over Compliance in Accordance  
with OMB Circular A-133  
Page -2-

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 15, 1999.

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



**JIM PETRO**  
Auditor of State

December 15, 1999

OLMSTED FALLS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 JUNE 30, 1999

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A-133

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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A-133 §.505

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Sec. .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Special Education Cluster: Special Education Grants to States, CFDA #84.027 Special Education - Pre-School Grants, CFDA #84.173
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

OLMSTED FALLS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 JUNE 30, 1999

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A-133

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

<b>Finding Number</b>	1999-10818-001
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Ohio Rev. Code Sections 5705.41(B) & (D) prohibits a subdivision or taxing unit from making an expenditure or an expenditure plus encumbrances unless it has been properly appropriated. The following funds had expenditures plus encumbrances exceeding the legal level of appropriation at June 30, 1999:

<u>Fund Function Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
<b>General Fund:</b>			
Instruction - Regular:			
Other	\$2,864	\$3,527	(\$663)
Capital Outlay	10,000	23,514	(13,514)
Instructional - Vocational:			
Salaries	120,000	180,909	(60,909)
Fringe Benefits	33,000	58,043	(25,043)
Materials and Supplies	2,210	4,002	(1,792)
Capital Outlay	0	17,352	(17,352)
Instructional - Adult Continuing:			
Salaries	5,000	8,802	(3,802)
Materials and Supplies	1,000	1,169	(169)
Instructional - Other:			
Purchased Services	398,362	825,271	(426,909)
Support Services - Pupil:			
Other	0	21,161	(21,161)
Capital Outlay	0	207	(207)
Support Services - Instructional Services:			
Salaries	380,000	400,009	(20,009)
Fringe Benefits	90,000	161,280	(71,280)
Support Services - Board of Education:			
Purchased Services	51,182	128,654	(77,472)
Support Services - Administration:			
Fringe Benefits	275,000	408,941	(133,941)
Materials and Supplies	31,636	39,759	(8,123)

OLMSTED FALLS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 JUNE 30, 1999

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A -133

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

<b>Finding Number</b>	1999-10818-001
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<u>Fund Function Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Support Services - Fiscal:			
Salaries	180,000	189,666	(9,666)
Fringe Benefits	60,000	71,811	(11,811)
Other	136,509	265,088	(128,579)
Support Services - Operation & Maintenance of a Plant:			
Salaries	1,025,000	1,100,135	(75,135)
Fringe Benefits	250,000	293,759	(43,759)
Purchased Services	715,941	904,315	(188,374)
Other	2,000	7,029	(5,029)
Support Services - Pupil Transportation:			
Salaries	570,000	615,794	(45,794)
Fringe Benefits	200,000	230,167	(30,167)
Materials and Supplies	131,454	212,813	(81,359)
Support Services - Central:			
Materials and Supplies	5,715	28,236	(22,521)
Capital Outlay	0	1,566	(1,566)
Other	0	3,235	(3,235)
Non-Instructional Services			
- Food Service Operations:			
Salaries	0	2,361	(2,361)
Fringe Benefits	0	73	(73)
Non-Instructional Services			
- Community Services:			
Salaries	0	6,366	(6,366)
Fringe Benefits	0	92	(92)
Extracurricular Activities - Academic and Subject Oriented Activities			
Fringe Benefits	2,500	4,048	(1,548)
Extracurricular Activities - Sports Oriented Activities:			
Salaries	255,000	285,334	(30,334)

OLMSTED FALLS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 JUNE 30, 1999

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A-133

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

<b>Finding Number</b>	1999-10818-001
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<u>Fund Function Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Fringe Benefits	20,000	51,116	(31,116)
Purchased Services	3,000	5,461	(2,461)
Materials and Supplies	0	765	(765)
Capital Outlay - Site Improvement Services:			
Capital Outlay	0	371	(371)
Capital Outlay - Building Acquisition:			
Purchased Services	63,000	84,000	(21,000)
Debt Service:			
Principal Repayment	3,938,013	4,232,649	(294,636)
Other Financing Uses:			
Operating Transfers Out	1,800	31,770	(29,970)
 <b>Special Revenue Funds:</b>			
Special Trust Fund	70,225	108,765	(38,540)
Auxiliary Services Fund	173,456	182,597	(9,141)
Miscellaneous State Grant Fund	0	1,557	(1,557)
 <b>Capital Projects Funds:</b>			
Permanent Improvement Fund	63,423	68,986	(5,563)
Building Fund	1,107,216	1,186,660	(79,444)

This weakness could allow expenditures in the above funds to exceed the total of the available fund balance and the current year revenues. This would then result in a negative fund balance(s).

The District was aware of these requirements but its control procedures failed to prevent or detect the non-compliance in these instances.

We recommend the District compare appropriations to expenditures and appropriations to expenditures plus encumbrances, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum, and the District's appropriations should be amended as required.

OLMSTED FALLS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 JUNE 30, 1999

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A-133

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

<b>Finding Number</b>	1999-10818-002
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Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Rev. Code Section 5705.40, requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The following fund had appropriations in excess of the amount certified as available by the budget commission as of June 30, 1999:

Fund	Revenues plus Carryover Balances	Appropriations	Excess
Self Insurance	\$1,400,380	\$1,500,000	(\$99,620)

This weakness could allow expenditures in any of the above fund to exceed the total of the available fund balance and current year revenues. This would then result in negative fund balance.

The District was aware of these requirements but its control procedures failed to prevent or detect the non-compliance in these instances.

We recommend the District compare appropriations to total certified resources, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum, and the District's appropriations and total certified resources should be amended as required.

<b>Finding Number</b>	1999-10818-003
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Ohio Rev. Code Section 5705.38, requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until October.

The District did not pass its permanent appropriation measure until April 15, 1999 and did not meet any of the criteria which would allow for the delay of its passage. Passage of the permanent appropriation measure was delayed until after the FY 1999 tax budget was adopted by the Board in January, 1999.

OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 1999

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133

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

<b>Finding Number</b>	1999-10818-003
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The District was aware of this requirement but its control procedures failed to prevent or detect the non-compliance in this instance.

The District should develop mechanisms to ensure its permanent appropriation measure is passed within the requirements of Ohio Rev. Code Section 5705.38.

<b>Finding Number</b>	1999-10818-004
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Ohio Rev. Code Section 5705.41(D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Such contracts and orders for expenditures lacking prior certification shall be void.

The District did not properly certify the availability of funds prior to initiating the purchase transaction for numerous expenditures. In more than one third of the testing performed, it was noted that an invoice was received before a purchase order containing the required certification was generated. Also, it was noted that at year end the District had several instances in which invoices were dated prior to June 30, 1999 and a purchase order was not generated until the subsequent fiscal period. The fiscal officer honored such orders, rather than declaring them void.

The District is aware of these requirements, but its control procedures failed to prevent or detect the non-compliance in these instances.

Those responsible for the preparation of purchase orders should submit purchase orders, prior to initiating the purchase transaction, to the Treasurer's office to help prevent this situation from occurring in the future. If purchase orders are not generated and the Treasurer has not certified that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance prior to initiating the purchase transaction, the order for expenditure should be declared void by the Treasurer.

**3. FINDINGS FOR FEDERAL AWARDS**

None

OLMSTED FALLS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 JUNE 30, 1999

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected	Not corrected, partially corrected, different corrective action taken; finding no longer valid; <b>Explain</b>
1998-10818-001	Ohio Rev. Code Section 5705.10	No	Partially corrected, the District borrowed \$4,057,000 in June, 1999 which eliminated this violation at June 30, 1999. However, at May 31, 1999, the General, Self Insurance, and Miscellaneous State Grant Funds carried negative cash fund balances.
1998-10818-002	Ohio Rev. Code Section 5705.41 (B) & (D)	No	Not corrected, same citation issued for fiscal year 1999. The District did not adequately monitor and amend their appropriations which allowed total expenditures plus outstanding encumbrances to exceed total appropriations.
1998-10818-003	Ohio Rev. Code Section 5705.39	No	Not corrected, same citation issued for fiscal year 1999. The District did not adequately monitor their total appropriations in relation to total certified resources which allowed appropriations in four funds to exceed total certified resources.

OLMSTED FALLS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 JUNE 30, 1999

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-10818-001	Action to include comparing appropriations to expenditures plus encumbrances, on a monthly basis, at minimum, and amending appropriations measure as required.	June 30, 2000	Treasurer
1999-10818-002	Action to include comparing appropriations to total certified resources, on a monthly basis, at minimum, and obtaining an amended certificate of estimated resources as required.	June 30, 2000	Treasurer
1999-10818-003	Action to include developing mechanisms to ensure the permanent appropriation measure is passed within the requirements of Ohio Rev. Code Section 5705.38.	June 30, 2000	Treasurer
1999-10818-004	Action to include developing mechanisms to insure that purchase orders are prepared, properly approved, and the treasurer has certified the amount required prior to initiating any purchase transaction.	June 30, 2000	Treasurer



**PART I GENERAL INFORMATION - Continued**

8. Indicate whether the auditee has either a Federal cognizant or oversight agency for audit. (Mark (X) one box)

1  Cognizant agency    2  Oversight agency

9. Name of Federal cognizant or oversight agency for audit (Mark (X) one box)

01 <input type="checkbox"/> African Development Foundation	83 <input type="checkbox"/> Federal Emergency Management Agency	16 <input type="checkbox"/> Justice	08 <input type="checkbox"/> Peace Corps
02 <input type="checkbox"/> Agency for International Development	34 <input type="checkbox"/> Federal Mediation and Conciliation Service	17 <input type="checkbox"/> Labor	59 <input type="checkbox"/> Small Business Administration
10 <input type="checkbox"/> Agriculture	39 <input type="checkbox"/> General Services Administration	43 <input type="checkbox"/> National Aeronautics and Space Administration	96 <input type="checkbox"/> Social Security Administration
11 <input type="checkbox"/> Commerce	93 <input type="checkbox"/> Health and Human Services	89 <input type="checkbox"/> National Archives and Records Administration	19 <input type="checkbox"/> State
94 <input type="checkbox"/> Corporation for National and Community Service	14 <input type="checkbox"/> Housing and Urban Development	05 <input type="checkbox"/> National Endowment for the Arts	20 <input type="checkbox"/> Transportation
12 <input type="checkbox"/> Defense	03 <input type="checkbox"/> Institute for Museum Services	06 <input type="checkbox"/> National Endowment for the Humanities	21 <input type="checkbox"/> Treasury
84 <input checked="" type="checkbox"/> Education	04 <input type="checkbox"/> Inter-American Foundation	47 <input type="checkbox"/> National Science Foundation	82 <input type="checkbox"/> United States Information Agency
81 <input type="checkbox"/> Energy	15 <input type="checkbox"/> Interior	07 <input type="checkbox"/> Office of National Drug Control Policy	64 <input type="checkbox"/> Veterans Affairs
66 <input type="checkbox"/> Environmental Protection Agency			<input type="checkbox"/> Other - Specify:

**PART II FINANCIAL STATEMENTS (To be completed by auditor)**

1. Type of audit report (Mark (X) one box)

1  Unqualified opinion    2  Qualified opinion    3  Adverse opinion    4  Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?    1  Yes    2  No

3. Is a reportable condition disclosed?    1  Yes    2  No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness?    1  Yes    2  No

5. Is a material noncompliance disclosed?    1  Yes    2  No

**PART III FEDERAL PROGRAMS (To be completed by auditor)**

1. Type of audit report on major program compliance

1  Unqualified opinion    2  Qualified opinion    3  Adverse opinion    4  Disclaimer of opinion

2. What is the dollar threshold to distinguish Type A and Type B programs § 520(b)?

\$ 300,000

3. Did the auditee qualify as a low-risk auditee (§ 530)?

1  Yes    2  No

4. Are there any audit findings required to be reported under § 510(a)?

1  Yes    2  No

5. Which Federal Agencies are required to receive the reporting package? (Mark (X) all that apply)

01 <input type="checkbox"/> African Development Foundation	83 <input type="checkbox"/> Federal Emergency Management Agency	16 <input type="checkbox"/> Justice	08 <input type="checkbox"/> Peace Corps
02 <input type="checkbox"/> Agency for International Development	34 <input type="checkbox"/> Federal Mediation and Conciliation Service	17 <input type="checkbox"/> Labor	59 <input type="checkbox"/> Small Business Administration
10 <input type="checkbox"/> Agriculture	39 <input type="checkbox"/> General Services Administration	43 <input type="checkbox"/> National Aeronautics and Space Administration	96 <input type="checkbox"/> Social Security Administration
11 <input type="checkbox"/> Commerce	93 <input type="checkbox"/> Health and Human Services	89 <input type="checkbox"/> National Archives and Records Administration	19 <input type="checkbox"/> State
94 <input type="checkbox"/> Corporation for National and Community Service	14 <input type="checkbox"/> Housing and Urban Development	05 <input type="checkbox"/> National Endowment for the Arts	20 <input type="checkbox"/> Transportation
12 <input type="checkbox"/> Defense	03 <input type="checkbox"/> Institute for Museum Services	06 <input type="checkbox"/> National Endowment for the Humanities	21 <input type="checkbox"/> Treasury
84 <input type="checkbox"/> Education	04 <input type="checkbox"/> Inter-American Foundation	47 <input type="checkbox"/> National Science Foundation	82 <input type="checkbox"/> United States Information Agency
81 <input type="checkbox"/> Energy	15 <input type="checkbox"/> Interior	07 <input type="checkbox"/> Office of National Drug Control Policy	64 <input type="checkbox"/> Veterans Affairs
66 <input type="checkbox"/> Environmental Protection Agency			00 <input checked="" type="checkbox"/> None
			<input type="checkbox"/> Other - Specify:

**PART III FEDERAL PROGRAMS - Continued**

6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR			7. AUDIT FINDINGS AND QUESTIONED COSTS				
CFDA number <sup>1</sup> (a)	Name of Federal program (b)	Amount expended (c)	Major program (a)	Type of compliance requirement <sup>2</sup> (b)	Amount of questioned costs (c)	Internal control findings <sup>3</sup> (d)	Audit finding reference number(s) (e)
10.550	Food Distribution	\$ 41,364	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
10.555	National School Lunch Program	\$ 77,412	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
84.027	Special Education Grants to States	\$ 143,640	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
84.173	Special Education Preschool Grants	\$ 16,501	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
84.010	Title I Grants to Local Educational Agencies	\$ 40,614	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
84.298	Innovative Education Program Strategies	\$ 13,456	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
84.281	Eisenhower Professional Development State Grants	\$ 363	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
84.186	Safe and Drug-Free Schools and Communities State Grants	\$ 9,880	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
84.276	Goals 2000 State and Local Education Systemic Improvement	\$ 1,030	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NONE	\$ N/A	1 <input type="checkbox"/> A 3 <input checked="" type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
<b>TOTAL FEDERAL AWARDS EXPENDED -&gt;</b>		\$ 344,260	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS				

<sup>1</sup> Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.

<sup>2</sup> Type of compliance requirement (Enter the letter(s) of all that apply to audit findings and questioned costs reported for each Federal program.)

- |   |  |                                 |
|---|--|---------------------------------|
| A. Activities allowed or unallowed        | G. Matching, level of effort, earmarking               | L. Reporting                    |
| B. Allowable costs/cost principles        | H. Period of availability of funds                     | M. Subrecipient monitoring      |
| C. Cash management                        | I. Procurement   | N. Special tests and provisions |
| D. Davis - Bacon Act                      | J. Program income                                      | O. None                         |
| E. Eligibility                            | K. Real property acquisition and relocation assistance |                                 |
| F. Equipment and real property management |  |                                 |

<sup>3</sup> Type of internal control findings (Mark (X) all that apply)

- |                        |                          |                  |
|------------------------|--------------------------|------------------|
| A. Material weaknesses | B. Reportable conditions | C. None reported |
|------------------------|--------------------------|------------------|



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**OLMSTED FALLS CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

By: *Susan Babbitt*

Date: **JAN 06 2000**