

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

SOLON CITY SCHOOL DISTRICT

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, Ohio 44139

We have audited the accompanying general-purpose financial statements of the Solon 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 Solon 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 type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



JIM PETRO
Auditor of State

December 20, 1999

Solon 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
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,297,673	\$724,375	\$633,678	\$3,358,915
Receivables:				
Taxes	35,293,413	0	2,849,718	1,189,895
Accounts	19,440	510	0	0
Intergovernmental	300	0	0	0
Interfund Receivable	407,126	0	0	380,000
Materials and Supplies Inventory	89,234	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	578,235	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$40,685,421	\$724,885	\$3,483,396	\$4,928,810

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$42,275	\$77,028	\$0	\$0	\$9,133,944
0	0	0	0	39,333,026
0	0	0	0	19,950
9,184	0	0	0	9,484
0	0	0	0	787,126
1,329	0	0	0	90,563
20,873	0	0	0	20,873
0	0	0	0	578,235
261,455	0	51,929,644	0	52,191,099
0	0	0	795,777	795,777
0	0	0	26,672,571	26,672,571
<u>\$335,116</u>	<u>\$77,028</u>	<u>\$51,929,644</u>	<u>\$27,468,348</u>	<u>\$129,632,648</u>

(continued)

Solon 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
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$279,570	\$24,328	\$0	\$23,315
Accrued Wages	3,364,493	0	0	0
Compensated Absences Payable	71,583	0	0	0
Interfund Payable	380,000	38,426	0	0
Intergovernmental Payable	995,166	13,460	0	0
Deferred Revenue	31,086,040	0	2,442,652	1,052,924
Due to Students	0	0	0	0
Claims Payable	484,993	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	36,661,845	76,214	2,442,652	1,076,239
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit):				
Unreserved	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	139,992	87,017	0	1,138,362
Reserved for Inventory	89,234	0	0	0
Reserved for Property Taxes	3,616,823	0	369,371	112,234
Reserved for Budget Stabilization	578,235	0	0	0
Unreserved, Undesignated	(400,708)	561,654	671,373	2,601,975
Total Fund Equity (Deficit) and Other Credits	4,023,576	648,671	1,040,744	3,852,571
Total Liabilities, Fund Equity and Other Credits	\$40,685,421	\$724,885	\$3,483,396	\$4,928,810

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations		
Enterprise	Agency				
\$7,416	\$0	\$0	\$0	\$334,629	
4,601	0	0	0	3,369,094	
42,216	0	0	4,668,375	4,782,174	
368,700	0	0	0	787,126	
52,158	0	0	333,819	1,394,603	
17,017	0	0	0	34,598,633	
0	77,028	0	0	77,028	
0	0	0	341,192	826,185	
0	0	0	22,124,962	22,124,962	
<u>492,108</u>	<u>77,028</u>	<u>0</u>	<u>27,468,348</u>	<u>68,294,434</u>	
0	0	51,929,644	0	51,929,644	
312,311	0	0	0	312,311	
(469,303)	0	0	0	(469,303)	
0	0	0	0	1,365,371	
0	0	0	0	89,234	
0	0	0	0	4,098,428	
0	0	0	0	578,235	
0	0	0	0	3,434,294	
<u>(156,992)</u>	<u>0</u>	<u>51,929,644</u>	<u>0</u>	<u>61,338,214</u>	
<u>\$335,116</u>	<u>\$77,028</u>	<u>\$51,929,644</u>	<u>\$27,468,348</u>	<u>\$129,632,648</u>	

Solon 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	
	General	Special Revenue
Revenues		
Taxes	\$33,914,321	\$0
Intergovernmental	5,460,131	916,386
Interest	525,552	21,481
Tuition and Fees	510,894	0
Extracurricular Activities	0	633,761
Contributions and Donations	25	101,871
Rentals	130,212	0
Miscellaneous	105,140	166,736
Total Revenues	40,646,275	1,840,235
Expenditures		
Current:		
Instruction:		
Regular	19,399,480	35,871
Special	3,650,532	22,901
Vocational	329,188	0
Support Services:		
Pupils	2,070,019	222,868
Instructional Staff	1,473,414	436,986
Board of Education	32,766	0
Administration	2,527,406	0
Fiscal	280,445	0
Business	806,521	0
Operation and Maintenance of Plant	4,623,794	0
Pupil Transportation	1,741,039	0
Central	449,619	3,472
Operation of Non-Instructional Services	0	253,900
Extracurricular Activities	746,946	825,680
Capital Outlay	11,242	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	5,176	0
Total Expenditures	38,147,587	1,801,678
Excess of Revenues Over (Under) Expenditures	2,498,688	38,557
Other Financing Sources (Uses)		
Proceeds from Sale of Fixed Assets	8,830	0
Operating Transfers In	0	30,000
Operating Transfers Out	(130,000)	0
Total Other Financing Sources (Uses)	(121,170)	30,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,377,518	68,557
Fund Balances Beginning of Year (Restated - Note 3)	1,648,255	580,114
Decrease in Reserve for Inventory	(2,197)	0
Fund Balances End of Year	\$4,023,576	\$648,671

See accompanying notes to the general purpose financial statements

Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$2,887,089	\$898,981	\$37,700,391
0	367,564	6,744,081
0	75,150	622,183
0	0	510,894
0	0	633,761
0	0	101,896
0	0	130,212
0	0	271,876
<u>2,887,089</u>	<u>1,341,695</u>	<u>46,715,294</u>
0	0	19,435,351
0	0	3,673,433
0	0	329,188
0	0	2,292,887
0	0	1,910,400
0	0	32,766
0	0	2,527,406
0	0	280,445
0	0	806,521
0	0	4,623,794
0	0	1,741,039
0	0	453,091
0	0	253,900
0	0	1,572,626
0	1,481,600	1,492,842
1,835,000	0	1,835,000
1,120,126	0	1,125,302
<u>2,955,126</u>	<u>1,481,600</u>	<u>44,385,991</u>
<u>(68,037)</u>	<u>(139,905)</u>	<u>2,329,303</u>
0	0	8,830
100,000	0	130,000
0	0	(130,000)
<u>100,000</u>	<u>0</u>	<u>8,830</u>
31,963	(139,905)	2,338,133
1,008,781	3,992,476	7,229,626
0	0	(2,197)
<u>\$1,040,744</u>	<u>\$3,852,571</u>	<u>\$9,565,562</u>

Solon 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)
Revenues			
Taxes	\$33,727,800	\$34,176,181	\$448,381
Intergovernmental	4,901,873	4,994,632	92,759
Interest	21,955	528,113	506,158
Tuition and Fees	21,366	511,515	490,149
Extracurricular Activities	0	0	0
Contributions and Donations	0	25	25
Rentals	4,705	133,468	128,763
Miscellaneous	3,702	104,465	100,763
<i>Total Revenues</i>	<u>38,681,401</u>	<u>40,448,399</u>	<u>1,766,998</u>
Expenditures			
Current:			
Instruction:			
Regular	20,140,160	19,413,090	727,070
Special	3,151,631	3,151,534	97
Vocational	330,478	330,475	3
Support Services:			
Pupils	2,114,445	2,110,808	3,637
Instructional Staff	1,438,610	1,442,997	(4,387)
Board of Education	32,764	32,741	23
Administration	2,541,032	2,540,378	654
Fiscal	804,722	800,191	4,531
Business	806,697	799,916	6,781
Operation and Maintenance of Plant	4,699,965	4,681,604	18,361
Pupil Transportaton	1,754,003	1,753,873	130
Central	468,926	468,865	61
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	759,680	759,653	27
Capital Outlay	11,242	11,242	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>39,054,355</u>	<u>38,297,367</u>	<u>756,988</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(372,954)</u>	<u>2,151,032</u>	<u>2,523,986</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	0	8,830	8,830
Advances In	0	0	0
Advances Out	(95,000)	(88,986)	6,014
Operating Transfers In	0	0	0
Operating Transfers Out	(130,000)	(130,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(225,000)</u>	<u>(210,156)</u>	<u>14,844</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(597,954)</u>	<u>1,940,876</u>	<u>2,538,830</u>
<i>Fund Balances Beginning of Year</i>	<u>2,694,254</u>	<u>2,694,254</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>63,355</u>	<u>63,355</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$2,159,655</u>	<u>\$4,698,485</u>	<u>\$2,538,830</u>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,804,442	\$2,829,754	\$25,312
963,114	916,386	(46,728)	290,000	289,795	(205)
5,000	21,481	16,481	0	0	0
0	0	0	0	0	0
569,000	633,868	64,868	0	0	0
0	101,871	101,871	0	0	0
0	0	0	0	0	0
251,000	166,226	(84,774)	0	0	0
<u>1,788,114</u>	<u>1,839,832</u>	<u>51,718</u>	<u>3,094,442</u>	<u>3,119,549</u>	<u>25,107</u>
53,376	37,818	15,558	0	0	0
23,000	22,901	99	0	0	0
0	0	0	0	0	0
247,856	225,429	22,427	0	0	0
487,980	439,292	48,688	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
30,000	23,472	6,528	0	0	0
318,226	309,531	8,695	0	0	0
933,289	850,746	82,543	0	0	0
0	0	0	0	0	0
0	0	0	2,360,800	2,285,000	75,800
0	0	0	1,139,200	1,138,525	675
<u>2,093,727</u>	<u>1,909,189</u>	<u>184,538</u>	<u>3,500,000</u>	<u>3,423,525</u>	<u>76,475</u>
<u>(305,613)</u>	<u>(69,357)</u>	<u>236,256</u>	<u>(405,558)</u>	<u>(303,976)</u>	<u>101,582</u>
0	0	0	0	0	0
16,986	16,986	0	0	0	0
0	0	0	0	0	0
30,000	30,000	0	100,000	100,000	0
0	0	0	0	0	0
<u>46,986</u>	<u>46,986</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>
(258,627)	(22,371)	236,256	(305,558)	(203,976)	101,582
640,020	640,020	0	837,654	837,654	0
8,194	8,194	0	0	0	0
<u>\$389,587</u>	<u>\$625,843</u>	<u>\$236,256</u>	<u>\$532,096</u>	<u>\$633,678</u>	<u>\$101,582</u>

(continued)

Solon 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)
Revenues			
Taxes	\$816,934	\$826,296	\$9,362
Intergovernmental	197,000	367,564	170,564
Interest	20,000	75,150	55,150
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>1,033,934</u>	<u>1,269,010</u>	<u>235,076</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportaton	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	4,456,999	2,662,584	1,794,415
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>4,456,999</u>	<u>2,662,584</u>	<u>1,794,415</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,423,065)</u>	<u>(1,393,574)</u>	<u>2,029,491</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(3,423,065)</u>	<u>(1,393,574)</u>	<u>2,029,491</u>
<i>Fund Balances Beginning of Year</i>	3,207,330	3,207,330	0
Prior Year Encumbrances Appropriated	391,848	391,848	0
<i>Fund Balances End of Year</i>	<u>\$176,113</u>	<u>\$2,205,604</u>	<u>\$2,029,491</u>

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$37,349,176	\$37,832,231	\$483,055
6,351,987	6,568,377	216,390
46,955	624,744	577,789
21,366	511,515	490,149
569,000	633,868	64,868
0	101,896	101,896
4,705	133,468	128,763
254,702	270,691	15,989
<u>44,597,891</u>	<u>46,676,790</u>	<u>2,078,899</u>
20,193,536	19,450,908	742,628
3,174,631	3,174,435	196
330,478	330,475	3
2,362,301	2,336,237	26,064
1,926,590	1,882,289	44,301
32,764	32,741	23
2,541,032	2,540,378	654
804,722	800,191	4,531
806,697	799,916	6,781
4,699,965	4,681,604	18,361
1,754,003	1,753,873	130
498,926	492,337	6,589
318,226	309,531	8,695
1,692,969	1,610,399	82,570
4,468,241	2,673,826	1,794,415
2,360,800	2,285,000	75,800
1,139,200	1,138,525	675
<u>49,105,081</u>	<u>46,292,665</u>	<u>2,812,416</u>
<u>(4,507,190)</u>	<u>384,125</u>	<u>4,891,315</u>
0	8,830	8,830
16,986	16,986	0
(95,000)	(88,986)	6,014
130,000	130,000	0
(130,000)	(130,000)	0
<u>(78,014)</u>	<u>(63,170)</u>	<u>14,844</u>
(4,585,204)	320,955	4,906,159
7,379,258	7,379,258	0
463,397	463,397	0
<u>\$3,257,451</u>	<u>\$8,163,610</u>	<u>\$4,906,159</u>

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

	Enterprise
Operating Revenues	
Tuition and Fees	\$162,331
Sales	823,046
Other	40,250
	1,025,627
 Operating Expenses	
Salaries and Wages	423,783
Fringe Benefits	190,823
Purchased Services	130,745
Materials and Supplies	190,147
Cost of Sales	259,934
Depreciation	22,341
Other	1,444
	1,219,217
 <i>Operating Loss</i>	 (193,590)
 Non-Operating Revenues	
Donated Commodities	56,070
Operating Grants	59,018
	115,088
 <i>Net Loss</i>	 (78,502)
 <i>Retained Earnings (Deficit) Beginning of Year</i>	 (390,801)
 <i>Retained Earnings (Deficit) End of Year</i>	 (469,303)
 Contributed Capital Beginning and End of Year	 312,311
 <i>Total Fund Equity (Deficit) End of Year</i>	 (156,992)

See accompanying notes to the general purpose financial statements

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

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Tuition and Fees	\$181,000	\$162,331	(\$18,669)
Sales	803,061	823,046	19,985
Other	51,427	40,528	(10,899)
Operating Grants	63,312	59,086	(4,226)
<i>Total Revenues</i>	<u>1,098,800</u>	<u>1,084,991</u>	<u>(13,809)</u>
Expenses			
Salaries and Wages	406,660	406,493	167
Fringe Benefits	192,250	188,436	3,814
Purchased Services	141,920	121,389	20,531
Materials and Supplies	404,089	394,950	9,139
Capital Outlay	13,581	13,473	108
Other	1,500	1,444	56
<i>Total Expenses</i>	<u>1,160,000</u>	<u>1,126,185</u>	<u>33,815</u>
<i>Excess of Revenues Under Expenses</i>	(61,200)	(41,194)	20,006
Advances In	66,200	72,000	5,800
<i>Excess of Revenues Over Expenses and Advances</i>	5,000	30,806	25,806
<i>Fund Equity Beginning of Year</i>	<u>11,421</u>	<u>11,421</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$16,421</u>	<u>\$42,227</u>	<u>\$25,806</u>

See accompanying notes to the general purpose financial statements

Solon City School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$985,377
Cash Received from Other Operating Sources	40,528
Cash Payments to Suppliers for Goods and Services	(516,291)
Cash Payments to Employees for Services	(406,493)
Cash Payments for Employee Benefits	(188,436)
Cash Payments for Other	(1,444)
	(86,759)
<i>Net Cash Used for Operating Activities</i>	
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	59,086
Advances In	72,000
	131,086
<i>Net Cash Provided by Noncapital Financing Activities</i>	
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(13,473)
	30,854
<i>Net Increase in Cash and Cash Equivalents</i>	
<i>Cash and Cash Equivalents Beginning of Year</i>	11,421
<i>Cash and Cash Equivalents End of Year</i>	\$42,275
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$193,590)
Adjustments:	
Donated Commodities Used During Year	56,070
Depreciation	22,341
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	278
Materials and Supplies Inventory	(439)
Inventory Held for Resale	(452)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	7,272
Accrued Wages	(778)
Compensated Absences Payable	18,068
Intergovernmental Payable	4,471
	106,831
<i>Total Adjustments</i>	106,831
<i>Net Cash Used for Operating Activities</i>	(\$86,759)

See accompanying notes to the general purpose financial statements

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

Note 1 - Description of The School District

Solon City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five member Board and provides educational services as mandated by State and/or federal agencies. The Board controls the School District's seven instructional facilities, staffed by 270 classified personnel, 374 certified full-time teaching personnel and 17 administrative employees to provide services to students and other community members.

The School District is located in Solon, Ohio, Cuyahoga County. The enrollment for the School District during the 1999 fiscal year was 4,937. The School District operates four elementary schools (K-4), one lower middle school (5-6), one upper middle school (7-8), and one high school (9-12).

Reporting Entity

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

Non-public Schools - Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

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

The School District is associated with a jointly governed organization. This organization is the Ohio Schools Council Association and is presented in Note 18 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB)

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

statements 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, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) 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 Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

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

Enterprise Funds 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

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

continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund 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. The School District has no trust funds. The School District's agency fund is purely custodial (assets equal liabilities) and thus does 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 obligations 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 balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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 when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general fund. 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 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

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

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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures 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 the general fund, or alter object appropriations within functions within the general 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 as a management control device during the year for all funds, other than the agency fund, consistent with statutory provisions.

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

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

D. Cash and Cash Equivalents

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

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

Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with 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.

Solon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended 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 \$525,552, which includes \$461,063 assigned from other School District funds.

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

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve. The reserve for budget stabilization also includes a refund received in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 22 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

F. Inventory

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

G. Fixed Assets and Depreciation

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

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

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

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State School Foundation Program
- School Bus Purchase
- State Property Tax Relief

Special Revenue Funds

- State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

- Title VI-B
- Title I
- Title VI
- Drug Free Schools
- Effective Schools
- Educational Management Information System
- Venture Capital
- EHA Preschool
- Immigrant Education

Capital Projects Fund

- SchoolNet
- SchoolNet Plus

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Special Revenue Fund

- Educational Management Information System

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately fourteen percent of the School District's governmental fund types' revenue during the 1999 fiscal year.

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

I. Interfund Assets and Liabilities

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

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

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

L. Interfund Transactions

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

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

M. Contributed Capital

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

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable 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 are established for encumbrances, inventories of supplies and materials, property taxes and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Estimates

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

P. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Totals - (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 is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Restatement of Prior Year Fund Equity

Due to a reclassification of federal program monies, the Special Revenue Funds' beginning fund balance decreased by \$152,365 from \$732,479 to \$580,114 and the Capital Projects Funds' beginning fund balance increased by \$152,365 from \$3,840,111 to \$3,992,476. During fiscal year 1998, the School District deposited \$152,365 in federal funds received into the Special Revenue Miscellaneous State Grant Fund which

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

should have been deposited into the Capital Projects SchoolNet Fund. This was not detected until fiscal year 1999, therefore overstating the Special Revenue Funds ending balance and understating the Capital Projects Funds ending fund balance in fiscal year 1998.

Note 4 - Accountability and Compliance

A. Accountability

The Title VI-B, Drug Free Schools and the Preschool Grant Special Revenue Funds had deficits of \$5,412, \$16,986 and \$252, respectively, which are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service, Uniform School Supplies and Adult Education Enterprise Funds had deficit retained earnings of \$307,577, \$21,525 and \$140,201. Management is analyzing the operations to determine appropriate steps to alleviate the deficits.

B. Compliance

The following had expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code Section 5705.41.

Fund/Function/Object	Appropriation	Expenditures	Excess
General Fund			
<i>Support Services Instructional</i>			
Salaries and Wages	\$877,403	\$891,692	\$14,289
Special Revenue Funds			
Auxiliary Services	260,439	281,124	20,685
Goals 2000	327,000	330,388	3,388

Note 5 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both the principal and interest have been allocated accordingly.

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$2,377,518	\$68,557	\$31,963	(\$139,905)
Net Adjustment for Revenue Accruals	270,523	(403)	(235,939)	(72,685)
Advances In	0	16,986	0	0
Note Activity with differing Fund Treatment:				
Taxes Revenue	(178,604)	0	178,604	0
Intergovernmental Revenue	(289,795)	0	289,795	0
Net Adjustment for Expenditure Accruals	(440,756)	(8,979)	0	(27,673)
Advances Out	(88,986)	0	0	0
Principal Retirement	450,000	0	(450,000)	0
Interest and Fiscal Charges	18,399	0	(18,399)	0
Encumbrances	(177,423)	(98,532)	0	(1,153,311)
Budget Basis	<u>\$1,940,876</u>	<u>(\$22,371)</u>	<u>(\$203,976)</u>	<u>(\$1,393,574)</u>

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

Net Loss\Excess of Revenues Over Expenses and Advances Proprietary Fund Type	
	Enterprise
GAAP Basis	(\$78,502)
Net Adjustment for Revenue Accruals	(55,724)
Advance In	72,000
Net Adjustment for Expenditure Accruals	57,266
Capital Outlay	13,473
Depreciation Expense	22,341
Encumbrances	(48)
Budget Basis	\$30,806

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

Protection of the 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

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

Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year end, the School District had \$4,045 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 No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits At fiscal year-end, the carrying amount of the School District's deposits was (\$264,487) and the bank balance was \$498,904. Of the bank balance:

Solon City School District
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For the Fiscal Year Ended June 30, 1999

1. \$289,441 of the bank balance was covered by federal depository insurance.
2. \$209,463 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and 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 below 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 which 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. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$7,649,000	\$7,649,000	\$7,649,000
Investment in STAROhio		2,323,621	2,323,621
Total		\$9,972,621	\$9,972,621

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$9,712,179	\$0
Investments which are part of a cash management pool:		
Cash on Hand	(4,045)	0
Repurchase Agreement	(7,649,000)	7,649,000
STAROhio	(2,323,621)	2,323,621
GASB Statement No. 3	(\$264,487)	\$9,972,621

Solon City School District
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For the Fiscal Year Ended June 30, 1999

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

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

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

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

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

	1998 Second-Half		1999 First-Half	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$721,769,510	75.24%	\$734,471,943	75.56%
Public Utility Personal	31,773,180	3.31	31,733,180	3.27
Tangible Personal Property	205,810,271	21.45	205,810,271	21.17
	<u>\$959,352,961</u>	<u>100.00%</u>	<u>\$972,015,394</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$61.20		\$61.70	

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

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Solon City School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the School District as an advance at June 30, 1999, was \$4,098,428 and is recognized as revenue. \$3,616,823 was available to the general fund, \$369,371 was available to the bond retirement fund, and \$112,234 was available to the permanent improvement capital projects fund.

Note 8 - Receivables

Receivables at June 30, 1999, consisted of 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.

Intergovernmental receivables consisted of \$300 in the general fund for drivers' education and of \$9,184 in the food service enterprise fund for federal and State lunch reimbursement.

Note 9 - Fixed Assets

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

Equipment	\$558,103
Less: accumulated depreciation	(296,648)
Net Fixed Assets	\$261,455

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

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land	\$2,181,603	\$0	\$0	\$2,181,603
Buildings	38,357,507	620,649	0	38,978,156
Furniture and Equipment	7,917,157	852,476	120,791	8,648,842
Vehicles	2,053,181	100,362	32,500	2,121,043
Total General Fixed Assets	\$50,509,448	\$1,573,487	\$153,291	\$51,929,644

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

Note 10 - Contractual Commitments

As of June 30, 1999, the Solon City School District had contractual purchase commitments for alterations, improvements and renovations at the administration building, the high school and surrounding parking lots.

The contractual commitments for the projects are as follows:

<u>Project</u>	<u>Amount Outstanding</u>
Administration Building Renovations	\$268,036
High School Pool Renovations	551,175
High School Renovations	188,043
Parking Lot Improvements	146,058
Total	<u>\$1,153,312</u>

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance Company for its professional liability coverage. This coverage has a \$2,000,000 single occurrence and \$5,000,000 annual aggregate with no deductible.

The vehicular fleet is protected by Nationwide Insurance Company with \$250 deductible for comprehensive and \$500 deductible for collision. Fleet liability has a combined single limit of \$1,000,000.

The Boiler and Machinery insurance is provided by the American States Insurance. Boiler and Machinery limits are \$25,000,000 with \$1,000 deductible. Crime insurance is purchased through Love Insurance and is provided by Reliance National Insurance. The Property and Casualty insurance is purchased through Love Insurance and is provided by Reliance National Insurance.

Settled claims have not exceeded this commercial coverage in any of the last fifteen years. There has not been a significant reduction in coverage from the prior year.

B. Medical

The School District has elected to contract with Medical Mutual of Ohio to provide medical benefits for employees through a self-insured program. The maintenance of these benefits is accounted for in the general fund. An excess coverage insurance (stop loss) policy covers claims in excess of \$100,000 per employee.

The general fund pays for the costs of providing claims servicing and claims payment. The premiums charged for family and single coverage are \$706.90 and \$265.90 respectively. The benefits that are included in this lump sum premium are medical, dental, vision, and life insurance.

Solon City School District
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The claims liability of \$826,185 reported in the general fund and the general long-term obligations account group at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim 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. The following table presents claims information for 1999. The balance of claims payable at June 30, 1999 represents an estimate of the liability for unpaid claims costs provided by Medical Mutual of Ohio. Changes in the fund's claims liability for 1997 through 1999 were:

Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
1997	\$497,138	\$2,561,108	\$2,367,314	\$690,932
1998	690,932	3,025,684	2,840,795	875,821
1999	875,821	2,786,936	2,836,572	826,185

C. Workers Compensation

For fiscal year 1999, the School District participated in the Ohio Schools Council Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 18). The Plan is intended to reduce premiums for the participants. 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 Plan.

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

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the Solon City School District is required to contribute 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

Solon City School District
Notes to the General Purpose Financial Statements
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with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$415,057, \$527,724, and \$532,425 respectively; 44.62 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$229,860 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 Solon City School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The 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 are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,209,076, \$1,996,522 and \$2,040,648 respectively; 80.59 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$234,635 representing the unpaid contribution for fiscal year 1999, 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District this amount equaled \$1,612,101 for fiscal year 1999.

Solon City School District
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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 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$335,498.

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

Note 14 - 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 five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators 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 to classified employees for 100 percent of the total sick leave accumulation, up to a maximum accumulation of 100 days and for one fourth of the remaining accumulated sick leave with a maximum accumulation of 150 days. Upon retirement, payment is made to teachers and administrators for 100 percent of total sick leave accumulation, with a maximum accumulation of 60 days.

B. Early Retirement Incentive

The School District Board of Education approved an Early Retirement Incentive program in fiscal year 1994. The Board elected to pay the liability over five years with payments being due on June 30 of each year. The payments are made from the general fund. The Early Retirement Incentive program was paid off by the end of fiscal year 1999.

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

Note 15 - Interfund Transactions

Interfund balances at June 30, 1999, consisted of:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$407,126	\$380,000
Special Revenue Funds		
Preschool Grant	0	21,440
Drug Free Schools	0	16,986
<i>Total Special Revenue Funds</i>	0	38,426
Capital Projects Fund		
Permanent Improvement	380,000	0
Enterprise Funds		
Food Service	0	204,700
Uniform School Supplies	0	26,000
Adult Education	0	138,000
<i>Total Enterprise Funds</i>	0	368,700
<i>Total</i>	<u>\$787,126</u>	<u>\$787,126</u>

Note 16 - Notes Payable

The School District's note activity, including amounts outstanding and interest rates, is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1999</u>
General Fund				
Energy Conservation, 4.10%	<u>\$450,000</u>	<u>\$0</u>	<u>\$450,000</u>	<u>\$0</u>

The energy conservation note was a one-year note which was repaid with tax revenue from the general fund. The note liability was reflected in the fund which received the proceeds. All notes are backed by the full faith and credit of the School District.

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

Note 17 - Long-Term Obligations

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

	Outstanding June 30, 1998	Additions	Deletions	Outstanding June 30, 1999
General Obligation Bonds				
School Improvement Bonds 7.13%	\$225,000	\$0	\$75,000	\$150,000
School Improvement Bonds 6.90%	2,125,000	0	120,000	2,005,000
Refunding School Improvement Bonds 6.76%	15,719,962	0	1,525,000	14,194,962
School Improvement Bonds 5.30%	5,890,000	0	115,000	5,775,000
<i>Total General Obligation Bonds</i>	23,959,962	0	1,835,000	22,124,962
Compensated Absences	4,159,072	509,303	0	4,668,375
Intergovernmental Payable	304,218	333,819	304,218	333,819
Claims Payable	362,420	341,192	362,420	341,192
Early Retirement Incentive 7.5%	167,974	0	167,974	0
<i>Total General Long-Term Obligations</i>	<u>\$28,953,646</u>	<u>\$1,184,314</u>	<u>\$2,669,612</u>	<u>\$27,468,348</u>

The bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Claims and the early retirement incentive will be paid from the general fund.

On July 1, 1993, the School District issued \$19,699,962 of general obligation bonds for the purpose of advance refunding \$20,400,000 school improvement bonds. The refunding bonds have interest rates ranging from 2.8 percent to 5.3 percent and the replaced bonds had interest rates ranging from 6.35 percent to 10.8 percent. The proceeds of the refunding bonds were used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide all future debt service requirements on the school improvement bonds. As a result, the school improvement bonds are considered to be defeased. As of June 30, 1999, the remaining outstanding \$15,000,000 of the refunded school improvement bonds are considered defeased by assets of \$17,689,000 held in the irrevocable trust.

The School District's overall legal debt margin was \$110,402,124 with an unvoted debt margin of \$972,015 at June 30, 1999.

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

Principal and interest requirements to retire the bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2000	\$1,730,000	\$1,001,018	\$2,731,018
2001	1,825,000	921,315	2,746,315
2002	1,780,000	839,191	2,619,191
2003	1,855,000	755,560	2,610,560
2004	1,880,000	668,180	2,548,180
2005-2009	4,044,962	7,714,281	11,759,243
2010-2114	7,345,000	1,439,998	8,784,998
2115-2117	1,665,000	142,312	1,807,312
Total	<u>\$22,124,962</u>	<u>\$13,481,855</u>	<u>\$35,606,817</u>

Note 18 - Jointly Governed Organization

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

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

Note 19 - Segment Information for Enterprise Funds

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

	Food Service	Uniform School Supplies	Adult Education	Total
Operating Revenues	\$825,546	\$37,750	\$162,331	\$1,025,627
Depreciation	22,341	0	0	22,341
Operating Loss	(148,992)	(8,602)	(35,996)	(193,590)
Donated Commodities	56,070	0	0	56,070
Operating Grants	59,018	0	0	59,018
Net Loss	(33,904)	(8,602)	(35,996)	(78,502)
Net Working Capital	(37,482)	(21,525)	(140,201)	(199,208)
Total Assets	325,031	4,475	5,610	335,116
Total Contributed Capital	312,311	0	0	312,311
Total Retained Earnings (Deficit)	(307,577)	(21,525)	(140,201)	(469,303)
Long-Term Compensated Absences	42,216	0	0	42,216
Encumbrances, June 30, 1999	0	0	48	48

Note 20 - Contingencies

A. Grants

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

B. Litigation

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

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

Note 21 - State School Foundation Program

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,722,000 of school foundation support for its general fund.

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

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

Note 22 - Set-Aside Requirements

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$233,776
Current Year Set-aside Requirement	688,917	688,917	344,459
Current Year Offsets	0	(826,109)	0
Qualifying Disbursements	(1,181,895)	0	0
Balance as of June 30, 1999	<u>(492,978)</u>	<u>(137,192)</u>	<u>578,235</u>

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

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

Note 23 - Year 2000 Information

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.

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

The financial reporting and the payroll and employee benefits systems have been assessed, remediated, tested and validated.

The District utilizes an external service organization for employee health benefits. This organization is responsible for remediating its systems which are used to process transactions on behalf of the District.

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

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. 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 School District is or will be year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

Solon City School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 1999

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U. S. Department of Agriculture</u>						
<u>Passed Through the Ohio Department of Agriculture</u>						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$53,792	\$0	\$59,113
National School Lunch	03-PU 00	10.555	42,037	0	42,037	0
National School Lunch	04-PU 00	10.555	15,877	0	15,877	0
Total CFDA			<u>57,914</u>	<u>0</u>	<u>57,914</u>	<u>0</u>
Total U. S. Department of Agriculture - Child Nutrition Cluster			<u>57,914</u>	<u>53,792</u>	<u>57,914</u>	<u>59,113</u>
<u>U. S. Department of Education</u>						
<u>Passed Through the Ohio Department of Education</u>						
Special Education Cluster:						
Special Education Grants to States	6B-SF 98	84.027	194,324	0	198,486	0
Special Education- Pre-School	PG-S1 97	84.173	21,440	0	0	0
Special Education- Pre-School	PG-S1 98	84.173	22,308	0	22,308	0
Total CFDA			<u>43,748</u>	<u>0</u>	<u>22,308</u>	<u>0</u>
Total Special Education Cluster			<u>238,072</u>	<u>0</u>	<u>220,794</u>	<u>0</u>
Emergency Immigration Act	EI-S1 00	84.162	4,020	0	4,501	0
Safe and Drug Free Schools	DR-S1 98	84.186	7,279	0	27,197	0
Goals 2000	G2-S5 98P	84.276	160,554	0	145,554	0
Eisenhower Professional Development	MS-S1 98	84.281	12,399	0	9,334	0
Innovative Education Program Strategy	C2-S1 98	84.298	19,692	0	3,852	0
Technology Literacy Challenge Fund	TF-S1 97	84.318	162,500	0	169,502	0
Total U. S. Department of Education			<u>604,516</u>	<u>0</u>	<u>580,734</u>	<u>0</u>
Totals			<u>\$662,430</u>	<u>\$53,792</u>	<u>\$638,648</u>	<u>\$59,113</u>

See notes to Schedule of Federal Awards Expenditures.

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

Note 1 - Significant Accounting Policies

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

Note 2 - Food Distribution

Nonmonetary assistance, 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. The District's food commodities inventory at June 30, 1998 was \$19,296 and is reported within the Inventory Held for Resale balance of the Enterprise Fund Type.



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

Board of Education
Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, Ohio 44139

We have audited the financial statements of the Solon 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 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the District in a separate letter dated December 20, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 20, 1999.

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

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

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

JIM PETRO
Auditor of State

December 20, 1999



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

Board of Education
Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, Ohio 44139

Compliance

We have audited the compliance of the Solon 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 Solon City School District, Cuyahoga County, Ohio, 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.

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.

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



JIM RETRO
Auditor of State

December 20, 1999

Solon City School District
 Schedule of Findings
 For the Fiscal Year Ended June 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

A -133 § .505

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JAN 11 2000