



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Fund Type	14
Combined Statement of Revenues, Expenses and Changes in Fund Equity Budget (Non-GAAP Basis) and Actual--Proprietary Fund Type	15
Combined Statement of Cash Flows - All Proprietary Fund Type	16
Notes to General Purpose Financial Statements	17
Schedule of Federal Awards Expenditures	43
Notes to Schedule of Federal Awards Expenditures	44
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report on Compliance with Requirements Applicable to Its Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings	49

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 - 1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

## INDEPENDENT ACCOUNTANTS' REPORT

Board of Education  
Solon City School District  
Cuyahoga County  
33800 Inwood Drive  
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, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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, 2000, 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.

As described in Note 3 to the general-purpose financial statements, the District restated the General Long Term Obligations Account Group and Enterprise Fund due to a change of Compensated Absences.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

February 23, 2001

**This page intentionally left blank.**

**Solon City School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 2000*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,902,386	\$953,523	\$1,064,144	\$8,802,102
Receivables:				
Taxes	36,396,353	0	2,981,921	1,208,079
Accounts	18,266	300	0	0
Intergovernmental	21,692	0	0	0
Interfund Receivable	447,490	0	0	380,000
Materials and Supplies Inventory	58,539	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	922,694	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$40,767,420</b>	<b>\$953,823</b>	<b>\$4,046,065</b>	<b>\$10,390,181</b>

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			
\$67,573	\$60,696	\$0	\$0	\$13,850,424
0	0	0	0	40,586,353
0	0	0	0	18,566
0	0	0	0	21,692
0	0	0	0	827,490
1,818	0	0	0	60,357
19,118	0	0	0	19,118
0	0	0	0	922,694
240,140	0	54,925,696	0	55,165,836
0	0	0	1,259,042	1,259,042
0	0	0	30,024,253	30,024,253
<u>\$328,649</u>	<u>\$60,696</u>	<u>\$54,925,696</u>	<u>\$31,283,295</u>	<u>\$142,755,825</u>

(continued)

**Solon City School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*June 30, 2000*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Liabilities, Fund Equity and Other Credits</i></b>				
<b>Liabilities</b>				
Accounts Payable	\$436,333	\$43,936	\$0	\$483,524
Accrued Wages	3,672,481	0	0	0
Compensated Absences Payable	91,377	0	0	0
Interfund Payable	380,000	38,790	0	0
Intergovernmental Payable	802,989	10,034	0	0
Deferred Revenue	34,332,288	0	2,787,023	1,139,198
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
Claims Payable	626,462	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b><i>Total Liabilities</i></b>	<b>40,341,930</b>	<b>92,760</b>	<b>2,787,023</b>	<b>1,622,722</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Unreserved (Deficit)	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	147,125	19,219	0	367,838
Reserved for Inventory	58,539	0	0	0
Reserved for Property Taxes	1,634,957	0	167,222	50,719
Reserved for Budget Stabilization	922,694	0	0	0
Unreserved, Undesignated	(2,337,825)	841,844	1,091,820	8,348,902
<b><i>Total Fund Equity (Deficit) and Other Credits</i></b>	<b>425,490</b>	<b>861,063</b>	<b>1,259,042</b>	<b>8,767,459</b>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<b>\$40,767,420</b>	<b>\$953,823</b>	<b>\$4,046,065</b>	<b>\$10,390,181</b>

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				
\$0	\$0	\$0	\$0	\$963,793	
4,884	0	0	0	3,677,365	
32,495	0	0	3,178,761	3,302,633	
408,700	0	0	0	827,490	
56,587	0	0	373,710	1,243,320	
14,251	0	0	0	38,272,760	
0	60,696	0	0	60,696	
0	0	0	0	0	
0	0	0	7,000,000	7,000,000	
0	0	0	335,862	962,324	
0	0	0	20,394,962	20,394,962	
<u>516,917</u>	<u>60,696</u>	<u>0</u>	<u>31,283,295</u>	<u>76,705,343</u>	
0	0	54,925,696	0	54,925,696	
312,311	0	0	0	312,311	
(500,579)	0	0	0	(500,579)	
0	0	0	0	534,182	
0	0	0	0	58,539	
0	0	0	0	1,852,898	
0	0	0	0	922,694	
0	0	0	0	7,944,741	
<u>(188,268)</u>	<u>0</u>	<u>54,925,696</u>	<u>0</u>	<u>66,050,482</u>	
<u>\$328,649</u>	<u>\$60,696</u>	<u>\$54,925,696</u>	<u>\$31,283,295</u>	<u>\$142,755,825</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, 2000*

	Governmental	
	General	Special Revenue
<b>Revenues</b>		
Taxes	\$35,932,571	\$0
Intergovernmental	1,893,621	816,652
Interest	578,948	0
Tuition and Fees	603,311	19,204
Extracurricular Activities	0	701,155
Contributions and Donations	1,100	85,381
Rentals	141,795	0
Miscellaneous	99,046	137,236
	<u>39,250,392</u>	<u>1,759,628</u>
<i>Total Revenues</i>		
<b>Expenditures</b>		
Current:		
Instruction:		
Regular	22,555,301	101,205
Special	3,581,029	19,706
Vocational	398,700	0
Support Services:		
Pupils	2,248,832	238,022
Instructional Staff	1,584,096	200,532
Board of Education	21,093	0
Administration	2,375,860	0
Fiscal	932,290	0
Business	836,298	0
Operation and Maintenance of Plant	4,961,728	0
Pupil Transportation	1,970,279	0
Central	431,202	25,516
Operation of Non-Instructional Services	0	163,840
Extracurricular Activities	778,862	852,615
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
	<u>42,675,570</u>	<u>1,601,436</u>
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,425,178)</u>	<u>158,192</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds of Notes	0	0
Proceeds from Sale of Fixed Assets	11,987	0
Operating Transfers In	0	54,200
Operating Transfers Out	(154,200)	0
	<u>(142,213)</u>	<u>54,200</u>
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(3,567,391)</u>	<u>212,392</u>
<i>Fund Balances Beginning of Year</i>	4,023,576	648,671
Decrease in Reserve for Inventory	(30,695)	0
<i>Fund Balance End of Year</i>	<u>\$425,490</u>	<u>\$861,063</u>

See accompanying notes to the general purpose financial statements

Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$2,894,855	\$1,433,659	\$40,261,085
0	98,728	2,809,001
0	252	579,200
0	0	622,515
0	0	701,155
0	33,000	119,481
0	0	141,795
0	2,100	238,382
<u>2,894,855</u>	<u>1,567,739</u>	<u>45,472,614</u>
0	0	22,656,506
0	0	3,600,735
0	0	398,700
0	0	2,486,854
0	0	1,784,628
0	0	21,093
0	0	2,375,860
0	0	932,290
0	0	836,298
0	0	4,961,728
0	0	1,970,279
0	0	456,718
0	0	163,840
0	0	1,631,477
0	3,652,851	3,652,851
1,730,000	0	1,730,000
1,046,557	0	1,046,557
<u>2,776,557</u>	<u>3,652,851</u>	<u>50,706,414</u>
<u>118,298</u>	<u>(2,085,112)</u>	<u>(5,233,800)</u>
0	7,000,000	7,000,000
0	0	11,987
100,000	0	154,200
0	0	(154,200)
<u>100,000</u>	<u>7,000,000</u>	<u>7,011,987</u>
218,298	4,914,888	1,778,187
1,040,744	3,852,571	9,565,562
<u>0</u>	<u>0</u>	<u>(30,695)</u>
<u>\$1,259,042</u>	<u>\$8,767,459</u>	<u>\$11,313,054</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, 2000*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$38,986,000	\$38,075,879	(\$910,121)
Intergovernmental	936,115	1,872,229	936,114
Interest	524,000	578,898	54,898
Tuition and Fees	441,300	603,511	162,211
Extracurricular Activities	0	0	0
Contributions and Donations	0	1,100	1,100
Rentals	95,000	144,111	49,111
Miscellaneous	53,700	94,350	40,650
<i>Total Revenues</i>	<u>41,036,115</u>	<u>41,370,078</u>	<u>333,963</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	21,739,297	21,790,154	(50,857)
Special	3,387,263	3,421,541	(34,278)
Vocational	394,097	394,092	5
Support Services:			
Pupils	2,215,975	2,215,931	44
Instructional Staff	1,560,575	1,603,400	(42,825)
Board of Education	19,839	19,838	1
Administration	2,381,193	2,384,352	(3,159)
Fiscal	948,936	932,523	16,413
Business	852,342	892,984	(40,642)
Operation and Maintenance of Plant	4,938,767	4,959,539	(20,772)
Pupil Transportation	1,939,236	2,020,160	(80,924)
Central	430,618	434,336	(3,718)
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	780,312	781,722	(1,410)
Capital Outlay			0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>41,588,450</u>	<u>41,850,572</u>	<u>(262,122)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(552,335)</u>	<u>(480,494)</u>	<u>71,841</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Notes	0	0	0
Proceeds from Sale of Fixed Assets	0	11,987	11,987
Advances In	0	16,986	16,986
Advances Out	(57,350)	(57,350)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(154,200)	(154,200)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(211,550)</u>	<u>(182,577)</u>	<u>28,973</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(763,885)</u>	<u>(663,071)</u>	<u>100,814</u>
<i>Fund Balances Beginning of Year</i>	4,001,679	4,001,679	0
Prior Year Encumbrances Appropriated	177,423	177,423	0
<i>Fund Balances End of Year</i>	<u>\$3,415,217</u>	<u>\$3,516,031</u>	<u>\$100,814</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	\$3,067,868	\$3,107,023	\$39,155
1,135,225	816,652	(318,573)	0	0	0
1,385	0	(1,385)	0	0	0
12,000	19,204	7,204	0	0	0
671,223	701,155	29,932	0	0	0
104,615	85,381	(19,234)	0	0	0
0	0	0	0	0	0
126,100	137,446	11,346	0	0	0
<u>2,050,548</u>	<u>1,759,838</u>	<u>(290,710)</u>	<u>3,067,868</u>	<u>3,107,023</u>	<u>39,155</u>
120,301	104,365	15,936	0	0	0
23,480	19,706	3,774	0	0	0
0	0	0	0	0	0
297,389	238,878	58,511	0	0	0
392,096	184,024	208,072	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
0	0	0	0	0	0
88,984	25,516	63,468	0	0	0
341,500	175,035	166,465	0	0	0
1,056,328	874,184	182,144	0	0	0
0	0	0	0	0	0
0	0	0	2,451,943	1,730,000	721,943
0	0	0	<u>1,048,057</u>	<u>1,046,557</u>	<u>1,500</u>
<u>2,320,078</u>	<u>1,621,708</u>	<u>698,370</u>	<u>3,500,000</u>	<u>2,776,557</u>	<u>723,443</u>
<u>(269,530)</u>	<u>138,130</u>	<u>407,660</u>	<u>(432,132)</u>	<u>330,466</u>	<u>762,598</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	17,350	17,350	0	0	0
(16,986)	(16,986)	0	0	0	0
30,000	54,200	24,200	0	100,000	100,000
0	0	0	0	0	0
<u>13,014</u>	<u>54,564</u>	<u>41,550</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>
(256,516)	192,694	449,210	(432,132)	430,466	862,598
625,843	625,843	0	633,678	633,678	0
98,531	98,531	0	0	0	0
<u>\$467,858</u>	<u>\$917,068</u>	<u>\$449,210</u>	<u>\$201,546</u>	<u>\$1,064,144</u>	<u>\$862,598</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, 2000*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$1,030,041	\$1,184,127	\$154,086
Intergovernmental	235,981	98,728	(137,253)
Interest	0	252	252
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	8,000	33,000	25,000
Rentals	0	0	0
Miscellaneous	171,000	319,722	148,722
<i>Total Revenues</i>	<u>1,445,022</u>	<u>1,635,829</u>	<u>190,807</u>
<b>Expenditures</b>			
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 Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	7,183,362	3,807,638	3,375,724
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>7,183,362</u>	<u>3,807,638</u>	<u>3,375,724</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(5,738,340)</u>	<u>(2,171,809)</u>	<u>3,566,531</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Notes	7,000,000	7,000,000	0
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>7,000,000</u>	<u>7,000,000</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	1,261,660	4,828,191	3,566,531
<i>Fund Balances Beginning of Year</i>	2,220,554	2,220,554	0
Prior Year Encumbrances Appropriated	1,138,362	1,138,362	0
<i>Fund Balances End of Year</i>	<u>\$4,620,576</u>	<u>\$8,187,107</u>	<u>\$3,566,531</u>

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$43,083,909	\$42,367,029	(\$716,880)
2,307,321	2,787,609	480,288
525,385	579,150	53,765
453,300	622,715	169,415
671,223	701,155	29,932
112,615	119,481	6,866
95,000	144,111	49,111
350,800	551,518	200,718
<u>47,599,553</u>	<u>47,872,768</u>	<u>273,215</u>
21,859,598	21,894,519	(34,921)
3,410,743	3,441,247	(30,504)
394,097	394,092	5
2,513,364	2,454,809	58,555
1,952,671	1,787,424	165,247
19,839	19,838	1
2,381,193	2,384,352	(3,159)
948,936	932,523	16,413
852,342	892,984	(40,642)
4,938,767	4,959,539	(20,772)
1,939,236	2,020,160	(80,924)
519,602	459,852	59,750
341,500	175,035	166,465
1,836,640	1,655,906	180,734
7,183,362	3,807,638	3,375,724
2,451,943	1,730,000	721,943
1,048,057	1,046,557	1,500
<u>54,591,890</u>	<u>50,056,475</u>	<u>4,535,415</u>
<u>(6,992,337)</u>	<u>(2,183,707)</u>	<u>4,808,630</u>
7,000,000	7,000,000	0
0	11,987	11,987
0	34,336	34,336
(74,336)	(74,336)	0
30,000	154,200	124,200
(154,200)	(154,200)	0
<u>6,801,464</u>	<u>6,971,987</u>	<u>170,523</u>
(190,873)	4,788,280	4,979,153
7,481,754	7,481,754	0
1,414,316	1,414,316	0
<u>\$8,705,197</u>	<u>\$13,684,350</u>	<u>\$4,979,153</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, 2000*

	<u>Enterprise</u>
<b>Operating Revenues</b>	
Tuition and Fees	\$149,851
Sales	958,255
Other	3,320
	<u>1,111,426</u>
<i>Total Operating Revenues</i>	
<b>Operating Expenses</b>	
Salaries and Wages	439,901
Fringe Benefits	157,113
Purchased Services	112,338
Materials and Supplies	191,299
Cost of Sales	344,972
Depreciation	22,455
Other	3,379
	<u>1,271,457</u>
<i>Total Operating Expenses</i>	
<i>Operating Loss</i>	<u>(160,031)</u>
<b>Non-Operating Revenues</b>	
Donated Commodities	58,348
Operating Grants	57,336
	<u>115,684</u>
<i>Total Non-Operating Revenues</i>	
<i>Net Loss</i>	(44,347)
<i>Retained Earnings (Deficit) Beginning of Year</i>	
<i>Restated (Note 3)</i>	<u>(456,232)</u>
<i>Retained Earnings (Deficit) End of Year</i>	(500,579)
Contributed Capital Beginning and End of Year	<u>312,311</u>
<i>Total Fund Equity (Deficit) End of Year</i>	<u>(\$188,268)</u>

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, 2000*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Tuition and Fees	\$220,048	\$149,851	(\$70,197)
Sales	959,156	958,255	(901)
Other	844	3,320	2,476
Operating Grants	67,000	66,520	(480)
<i>Total Revenues</i>	<u>1,247,048</u>	<u>1,177,946</u>	<u>(69,102)</u>
<b>Expenses</b>			
Salaries and Wages	433,267	436,268	(3,001)
Fringe Benefits	177,947	156,776	21,171
Purchased Services	121,637	115,662	5,975
Materials and Supplies	468,604	479,737	(11,133)
Capital Outlay	403	1,140	(737)
Other	3,379	3,379	0
<i>Total Expenses</i>	<u>1,205,237</u>	<u>1,192,962</u>	<u>12,275</u>
<i>Excess of Revenues Over (Under) Expenses</i>	41,811	(15,016)	(56,827)
Advances In	<u>0</u>	<u>40,000</u>	<u>40,000</u>
<i>Excess of Revenues Over Expenses and Advances</i>	41,811	24,984	(16,827)
<i>Fund Equity Beginning of Year</i>	42,227	42,227	0
Prior Year Encumbrances Appropriated	<u>48</u>	<u>48</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$84,086</u>	<u>\$67,259</u>	<u>(\$16,827)</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, 2000*

	Enterprise
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$961,575
Cash Received from Tuition Payments	149,851
Cash Payments to Suppliers for Goods and Services	(595,085)
Cash Payments to Employees for Services	(436,268)
Cash Payments for Employee Benefits	(156,776)
Cash Payments for Other Expenses	(3,379)
	<u>(80,082)</u>
<b><i>Net Cash Used for Operating Activities</i></b>	
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	66,520
Advances In	40,000
	<u>106,520</u>
<b><i>Net Cash Provided by Noncapital Financing Activities</i></b>	
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Payments for Capital Acquisitions	(1,140)
	<u>(1,140)</u>
<b><i>Net Increase in Cash and Cash Equivalents</i></b>	
<i>Cash and Cash Equivalents Beginning of Year</i>	42,275
	<u>42,275</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$67,573</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$160,031)
Adjustments:	
Donated Commodities Used During Year	58,348
Depreciation	22,455
<i>(Increase) Decrease in Assets:</i>	
Materials and Supplies Inventory	(489)
Inventory Held for Resale	(1,011)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(7,416)
Accrued Wages	283
Compensated Absences Payable	3,350
Intergovernmental Payable	4,429
	<u>79,949</u>
<b><i>Total Adjustments</i></b>	
<b><i>Net Cash Used for Operating Activities</i></b>	<u><u>(\$80,082)</u></u>
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, 2000*

---

---

**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 246 classified personnel, 362 certified full-time teaching personnel and 22 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 2000 fiscal year was 4,996. 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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, to 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).

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

**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 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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 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 fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

***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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

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 increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2000.

***Appropriations*** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. 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 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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

During fiscal year 2000, investments were limited to STAROhio, repurchase agreements, and Federal Government Agency Securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Repurchase agreements are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$578,948 which includes \$478,427 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 whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amount required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 22 for additional information regarding set-asides.

***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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

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.

***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 Systems
- 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

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

*Proprietary Funds*  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted six percent of the School District's governmental fund types' revenue during the 2000 fiscal year.

***I. Interfund Assets and Liabilities***

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

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

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

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

***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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

**Note 3 - Restatement of Prior Year Balances**

In the prior year, compensated absences was overstated in the enterprise funds. The effect of this change on the net loss as previously reported for the year ended June 30, 1999 is as follows:

Proprietary Funds:	
	<u>Enterprise</u>
Net Loss as Previously Reported	(\$78,502)
Overstatement of Compensated Absences	<u>13,071</u>
Restated Net Loss for the fiscal year ended June 30, 1999	<u><u>(\$65,431)</u></u>

These changes also had the following effects on retained deficit as previously reported as of June 30, 1999.

Proprietary Funds:	
	<u>Enterprise</u>
Retained Deficit as Previously Reported	(\$469,303)
Overstatement of Compensated Absences	<u>13,071</u>
Restated Retained Deficit for the fiscal year ended June 30, 1999	<u><u>(\$456,232)</u></u>

For fiscal year 2000, the School District's General Long Term Obligations Account Group was restated by (\$1,265,481) from \$27,468,348 to \$26,202,867. The change was due to compensated absences.

**Note 4 - Accountability and Compliance**

**A. Accountability**

Fund balance/retained earnings at June 30, 2000 included the following individual fund deficits:

	Deficit Fund Balance/Retained Earnings
<i>Special Revenue Funds:</i>	
Venture Capital	\$502
Title VI-B	4,675
Drug Free	14,342
<i>Enterprise:</i>	
Food Service	291,800
Uniform Service	31,164
Adult Education	177,615

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

The deficit in special revenue fund resulted from 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 enterprise funds had deficit retained earnings. Management is analyzing the operations to determine appropriate steps to alleviate the deficits.

**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:

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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

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	(\$3,567,391)	\$212,392	\$218,298	\$4,914,888
Net Adjustment for Revenue Accruals	2,119,636	210	212,168	68,090
Advances In	16,986	17,350	0	0
Unrecorded Cash	50	0	0	0
Net Adjustment for Expenditure Accruals	1,133,997	16,183	0	460,208
Advances Out	(57,350)	(16,986)	0	0
Encumbrances	(308,999)	(36,455)	0	(614,995)
Budget Basis	(\$663,071)	\$192,694	\$430,466	\$4,828,191

Net Loss\Excess of Revenues  
Over Expenses and Advances  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$44,347)
Net Adjustment for Revenue Accruals	9,184
Advance In	40,000
Net Adjustment for Expenditure Accruals	(854)
Capital Outlay	(1,140)
Depreciation Expense	22,455
Encumbrances	(314)
Budget Basis	\$24,984

**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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

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 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

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

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 \$3,395 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 \$669,419 and the bank balance was \$1,674,677. Of the bank balance:

1. \$300,000 of the bank balance was covered by federal depository insurance.
2. \$1,374,677 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** The School District's investments are required to be categorized 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	\$4,240,000	\$4,240,000	\$4,240,000
STAROhio		2,456,850	2,456,850
Federal Home Loan Mortgage Corporation Notes	1,603,366	1,603,366	1,603,366
Federal National Mortgage Association Notes	5,299,746	5,299,746	5,299,746
Federal Home Loan Bank Notes	500,342	500,342	500,342
Total	\$11,643,454	\$14,100,304	\$14,100,304

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:

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$14,773,118	\$0
Investments which are part of a cash management pool:		
Cash on Hand	(3,395)	0
Repurchase Agreement	(4,240,000)	4,240,000
STAROhio	(2,456,850)	2,456,850
Federal Home Loan Mortgage Corporation Notes	(1,603,366)	1,603,366
Federal National Mortgage Association Notes	(5,299,746)	5,299,746
Federal Home Loan Bank Notes	(500,342)	500,342
GASB Statement No. 3	\$669,419	\$14,100,304

**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 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

Tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2000 taxes were collected are:

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

	1999 Second-Half		2000 First-Half	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$734,471,943	75.56%	\$744,708,380	76.07%
Public Utility Personal	31,733,180	3.27	29,535,230	3.02
Tangible Personal Property	205,810,271	21.17	204,677,358	20.91
	<u>\$972,015,394</u>	<u>100.00%</u>	<u>\$978,920,968</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$61.70		\$61.70	

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

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

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$1,852,898 and is recognized as revenue. \$1,634,957 was available in the general fund, \$167,222 was available in the bond retirement debt service fund and \$50,719 was available in the permanent improvement capital projects fund.

**Note 8 - Receivables**

Receivables at June 30, 2000, 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 \$21,692 in the general fund for drivers' education.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

**Note 9 - Fixed Assets**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Equipment	\$559,213
Less: accumulated depreciation	<u>(319,073)</u>
Net Fixed Assets	<u><u>\$240,140</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	Balance 6/30/99	Additions	Deductions	Balance 6/30/00
Land	\$2,181,603	\$303,614	\$0	\$2,485,217
Buildings	38,978,156	1,934,732	0	40,912,888
Furniture and Equipment	8,648,842	790,214	164,013	9,275,043
Vehicles	<u>2,121,043</u>	<u>204,705</u>	<u>73,200</u>	<u>2,252,548</u>
Total General Fixed Assets	<u><u>\$51,929,644</u></u>	<u><u>\$3,233,265</u></u>	<u><u>\$237,213</u></u>	<u><u>\$54,925,696</u></u>

**Note 10 - Contractual Commitments**

As of June 30, 2000, 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:

Project	Amount Outstanding
Administration Building Renovations	\$268,036
High School Pool Renovations	551,175
High School Renovations	188,043
Parking Lot Improvements	<u>146,058</u>
Total	<u><u>\$1,153,312</u></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 2000, the School District contracted with following insurance companies for the various insurances that the School District participates:

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

Company	Type of Coverage	Coverage
Coregis Insurance Company	Property Coverage:	
	Blanket Buildings and Contents	\$93,792,248
	Extra Expense Coverage	1,000,000
	Valuable Papers	100,000
Coregis Insurance Company	Inland Marine	
	Data and Media	2,487,780
	Musical Instruments	715,824
	Audio Visual	868,759
Coregis Insurance Company	Boiler and Machinery	Cost
	Crime Policy	250,000
	Employee Dishonesty	250,000
	Money and Securities	25,000
Nationwide Commercial Auto	Auto Liability	1,000,000
	Auto Medical Payment	5000/person
	Uninsured Motorist	1,000,000
Nationwide Agribusiness Insurance Company	Education Liability:	
	Each Occurrence	2,000,000
	Fire Damage	100,000
	Medical Expense	5,000
	General Aggregate	5,000,000

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 as a program administrator 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 \$695.99 and \$254.90 respectively. The benefits that are included in this lump sum premium are medical, dental, vision, and life insurance.

The claims liability of \$962,324 reported in the general fund and the general long-term obligations account group at June 30, 2000, 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 2000. The balance of claims payable at June 30, 2000 represents an estimate of the liability for unpaid claims costs provided by Medical Mutual of Ohio. Changes in the fund's claims liability for 1998 through 2000 were:

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
1998	\$690,932	\$3,025,684	\$2,840,795	\$875,821
1999	875,851	2,786,936	2,836,572	826,215
2000	826,185	3,431,553	3,295,414	962,324

**C. Workers Compensation**

For fiscal year 2000, 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 with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 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, 2000, 1999, and 1998 were \$314,938, \$415,057, and \$527,724 respectively; 42.16 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$181,149 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

***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, 2000, 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. 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, 2000, 1999, and 1998 were \$1,323,069, \$1,209,076 and \$1,996,522 respectively; 84.36 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$206,972 representing the unpaid contribution for fiscal year 2000, 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, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$1,764,092 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase of 2.20 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$562,920.

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 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999, (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 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 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 75 days.

**Note 15 - Interfund Transactions**

Interfund balances at June 30, 2000, consisted of:

Fund	Receivable	Payable
General	\$447,490	\$380,000
<b>Special Revenue Funds</b>		
Athletics and Music	0	3,000
Preschool Grant	0	21,440
Drug Free Schools	0	14,350
<i>Total Special Revenue Funds</i>	0	38,790
<b>Capital Projects Fund</b>		
Permanent Improvement	380,000	0
<b>Enterprise Funds</b>		
Food Service	0	204,700
Uniform School Supplies	0	26,000
Adult Education	0	178,000
<i>Total Enterprise Funds</i>	0	408,700
<b>Total</b>	<b>\$827,490</b>	<b>\$827,490</b>

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 2000

**Note 16 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2000, were as follows:

	Outstanding June 30, 1999	Additions	Deletions	Outstanding June 30, 2000
<b>General Obligation Bonds</b>				
1981 \$1,600,000				
School Improvement Bonds 7.13%	\$150,000	\$0	\$75,000	\$75,000
1989 \$2,850,000				
School Improvement Bonds 6.90%	2,005,000	0	125,000	1,880,000
1993 \$19,699,962				
Refunding School Improvement Bonds Various	\$14,194,962	\$0	\$1,400,000	\$12,794,962
1997 \$6,000,000				
School Improvement Bonds 5.30%	5,775,000	0	130,000	5,645,000
<i>Total General Obligation Bonds</i>	22,124,962	0	1,730,000	20,394,962
Note Payable	0	7,000,000	0	7,000,000
Compensated Absences	3,402,894	0	224,134	3,178,761
Intergovernmental Payable	333,819	373,710	333,819	373,710
Claims Payable	341,192	335,862	341,191	335,862
<i>Total General Long-Term Obligations</i>	<u>\$26,202,867</u>	<u>\$7,709,572</u>	<u>\$2,629,144</u>	<u>\$31,283,295</u>

The bonds and note 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 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, 2000, the remaining outstanding \$14,000,000 of the refunded school improvement bonds are considered defeased by assets of \$14,642,322 held in the irrevocable trust.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

The School District's overall legal debt margin was \$116,756,891 with an unvoted debt margin of \$978,921 at June 30, 2000.

Principal and interest requirements to retire the bonds outstanding at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
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	\$20,394,962	\$12,480,837	\$32,875,799

**Note 17 - 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 2000, the School District paid \$750 to the Council. Financial information can be obtained by contacting Al Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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

Energy Acquisition Corp., a non profit corporation with a self appointing board, issued \$119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates 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, 2000*

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

**Note 18 - 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, 2000.

	Food Service	Uniform School Supplies	Adult Education	Total
Operating Revenues	\$887,419	\$74,156	\$149,851	\$1,111,426
Depreciation	22,455	0	0	22,455
Operating Loss	(112,978)	(9,639)	(37,414)	(160,031)
Donated Commodities	58,348	0	0	58,348
Operating Grants	57,336	0	0	57,336
Net Income (Loss)	2,706	(9,639)	(37,414)	(44,347)
Long-Term Compensated Absences	27,584	0	4,911	32,495
Net Working Capital	(192,045)	(31,164)	(172,704)	(395,913)
Fixed Asset Additions	1,140	0	0	1,140
Total Assets	316,826	1,012	10,811	328,649
Total Equity	20,511	(31,164)	(177,615)	(188,268)
Encumbrances, June 30, 2000	0	237	77	314

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

---

---

**Note 19 - 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, 2000.

**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.

**Note 20 - 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 State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,799,356 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2000*

**Note 21 - 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 fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>
Set-aside Reserve Balance as of June 30, 1999	\$578,235	\$0	\$0
Current Year Set-aside Requirement	344,459	1,033,376	1,033,376
Current Year Offsets	0	(1,183,850)	0
Qualifying Disbursements	<u>0</u>	<u>(1,257,870)</u>	<u>(1,245,624)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$922,694</u>	<u>(\$1,408,344)</u>	<u>(\$212,248)</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$922,694</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$922,694.

**Note 22 - Subsequent Event**

On January 18, 2001, the School District retired \$7,000,000 of school improvement notes and reissued \$7,000,000 at an interest rate of 3.70%. The new notes will mature July 31, 2001.

**Solon City School District  
Cuyahoga County  
Schedule of Federal Awards Expenditures  
For Fiscal Year Ended June 30, 2000**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Receipts	Federal Non-Cash Receipts	Federal Expenditures	Federal Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through State Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	84.027	046607-6B-SF-00	249,831		249,831	
Total Special Education Grants to States			249,831		249,831	
Preschool Grant FY 00	84.173	046607-PG-S1-00	23,023		0	
Total Preschool, Handicapped Grant			23,023		0	
Total Special Education Cluster			272,854		249,831	
Innovative Education Program Strategies	84.298	046607-C2-S1-97	0		258	
Innovative Education Program Strategies	84.298	046607-C2-S1-99	0		17,479	
Innovative Education Program Strategies	84.298	046607-C2-S1-00	7,825		1,534	
Total Innovative Education Program Strategies			7,825		19,271	
Eisenhower Professional Development State Grants	84.281	046607-MS-S1-99	0		5,187	
Eisenhower Professional Development State Grants	84.281	046607-MS-S1-00	3,850		523	
Total Eisenhower Professional Development State Grants			3,850		5,710	
Drug Free Schools FY 99	84.186	046607-DR-S1-99	16,986			
Drug Free Schools FY 00	84.186	046607-DR-S1-00	6,147		20,489	
Total Drug Free Schools			23,133		20,489	
Immigrant Education FY 99	84.162	046607-EI-S1-99	0		226	
Immigrant Education FY 00	84.162	046607-EI-S1-00	2,261		0	
Total Immigrant Education			2,261		226	
Technology Literacy Challenge FY 00	84.318	046607-TF-15-00	62,500		51,200	
Total Technology Literacy Challenge			62,500		51,200	
Class Size Reduction Grant FY 00	84.340	046607-CR-S1-00	10,265		5,216	
Total Class Size Reduction Grant			10,265		5,216	
Total U.S. Department of Education			382,688	0	351,943	0
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through State Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A		55,581		59,861
National School Lunch Program	10.555	046607-03-PU 00	65,507		65,507	
Total - U.S. Department of Agriculture - Nutrition Cluster			65,507	55,581	65,507	59,861
Total Federal Financial Assistance			448,195	55,581	417,450	59,861

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

Notes to the Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2000

---

---

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2000, the District had no significant food commodities in inventory.

**NOTE C - NATIONAL SCHOOL LUNCH PROGRAM**

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

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 - 1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

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

Board of Education  
Solon City School District  
Cuyahoga County  
33800 Inwood Drive  
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, 2000, and have issued our report thereon dated February 23, 2001, wherein we noted the District restated Compensated Absences in the General Long Term Account Group and Enterprise Fund. 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 a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 23, 2001.

**Internal Control Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 23, 2001.

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

**Jim Petro**  
Auditor of State

February 23, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 - 1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

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

Board of Education  
Solon City School District  
Cuyahoga County  
33800 Inwood Drive  
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, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

### **Internal Control Over Compliance**

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

**Internal Control Over Compliance**  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 23, 2001.

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

**Jim Petro**  
Auditor of State

February 23, 2001

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY**  
**JUNE 30, 2000**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

A-133 §.505

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

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2000**

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

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

<b>Finding Number</b>	
-----------------------	--

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 22, 2001**