



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants	1
General Purpose Financial Statements	4
Notes to the General Purpose Financial Statements	17
Schedule of Federal Awards Expenditures	43
Notes to the 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 <i>OMB Circular A-133</i>	47
Schedule of Findings	49

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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, 2001, 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 auditing standards generally accepted in the United States of America 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, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the District restated the General and Enterprise Funds' net activity and fund balances as of and for the year ended June 30, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 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.

We performed our audit to form 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. We subjected this information 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

November 27, 2001

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**Solon City School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 2001*

	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	\$894,176	\$911,036	\$8,447,551	\$6,756,529
In Segregated Accounts With Fiscal Agents	632,383	0	0	0
Receivables:				
Taxes	41,600,077	0	3,212,922	1,287,604
Accounts	53,182	0	0	0
Intergovernmental	0	304,601	0	0
Accrued Interest	26,522	0	0	47,073
Interfund Receivable	250,705	0	0	380,000
Materials and Supplies Inventory	64,356	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	233,776	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>\$43,755,177</b>	<b>\$1,215,637</b>	<b>\$11,660,473</b>	<b>\$8,471,206</b>



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
\$5,150	\$69,370	\$0	\$0	\$17,083,812
0	0	0	0	632,383
0	0	0	0	46,100,603
0	0	0	0	53,182
0	0	0	0	304,601
0	0	0	0	73,595
0	0	0	0	630,705
1,794	0	0	0	66,150
20,369	0	0	0	20,369
0	0	0	0	233,776
226,458	0	58,502,700	0	58,729,158
0	0	0	8,714,636	8,714,636
0	0	0	28,113,499	28,113,499
<u>\$253,771</u>	<u>\$69,370</u>	<u>\$58,502,700</u>	<u>\$36,828,135</u>	<u>\$160,756,469</u>

(continued)

**Solon City School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*June 30, 2001*

	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	\$286,910	\$61,438	\$0	\$37,774
Contracts Payable	0	0	0	237,815
Accrued Wages and Benefits	3,925,840	0	0	0
Compensated Absences Payable	99,003	0	0	0
Retainage Payable	0	0	0	71,216
Interfund Payable	380,000	240,568	0	0
Intergovernmental Payable	732,291	12,394	0	0
Deferred Revenue	38,382,002	70,568	2,934,182	1,179,733
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	11,655	0
Notes Payable	0	0	0	0
Claims Payable	472,262	0	0	0
General Obligation Bonds Payable	0	0	0	0
	<b>44,278,308</b>	<b>384,968</b>	<b>2,945,837</b>	<b>1,526,538</b>
<b><i>Total Liabilities</i></b>				
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	62,177	113,268	0	1,902,457
Reserved for Inventory	64,356	0	0	0
Reserved for Property Taxes	1,708,043	0	189,303	47,285
Reserved for Budget Stabilization	233,776	0	0	0
Designated for Claims	632,383	0	0	0
Unreserved, Undesignated	(3,223,866)	717,401	8,525,333	4,994,926
	<b>(523,131)</b>	<b>830,669</b>	<b>8,714,636</b>	<b>6,944,668</b>
<b><i>Total Fund Equity (Deficit) and Other Credits</i></b>	<b>(523,131)</b>	<b>830,669</b>	<b>8,714,636</b>	<b>6,944,668</b>
	<b>\$43,755,177</b>	<b>\$1,215,637</b>	<b>\$11,660,473</b>	<b>\$8,471,206</b>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<b>\$43,755,177</b>	<b>\$1,215,637</b>	<b>\$11,660,473</b>	<b>\$8,471,206</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			
\$2,303	\$0	\$0	\$0	\$388,425
0	0	0	0	237,815
6,269	0	0	0	3,932,109
25,374	0	0	3,909,629	4,034,006
0	0	0	0	71,216
10,137	0	0	0	630,705
48,284	0	0	348,544	1,141,513
16,885	0	0	0	42,583,370
0	69,370	0	0	69,370
0	0	0	0	11,655
0	0	0	7,000,000	7,000,000
0	0	0	0	472,262
0	0	0	25,569,962	25,569,962
<u>109,252</u>	<u>69,370</u>	<u>0</u>	<u>36,828,135</u>	<u>86,142,408</u>
0	0	58,502,700	0	58,502,700
312,311	0	0	0	312,311
(167,792)	0	0	0	(167,792)
0	0	0	0	2,077,902
0	0	0	0	64,356
0	0	0	0	1,944,631
0	0	0	0	233,776
0	0	0	0	632,383
0	0	0	0	11,013,794
<u>144,519</u>	<u>0</u>	<u>58,502,700</u>	<u>0</u>	<u>74,614,061</u>
<u>\$253,771</u>	<u>\$69,370</u>	<u>\$58,502,700</u>	<u>\$36,828,135</u>	<u>\$160,756,469</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, 2001*

	Governmental	
	General	Special Revenue
<b>Revenues</b>		
Taxes	\$36,288,619	\$0
Intergovernmental	5,520,026	1,298,849
Interest	650,152	0
Tuition and Fees	694,042	4,821
Extracurricular Activities	0	775,312
Contributions and Donations	0	141,585
Rentals	129,626	0
Miscellaneous	963,419	172,309
<i>Total Revenues</i>	<u>44,245,884</u>	<u>2,392,876</u>
<b>Expenditures</b>		
Current:		
Instruction:		
Regular	23,454,391	326,204
Special	3,616,335	4,761
Vocational	444,237	0
Support Services:		
Pupils	2,419,874	371,359
Instructional Staff	1,507,026	670,097
Board of Education	37,276	0
Administration	2,426,034	0
Fiscal	942,952	0
Business	862,787	0
Operation and Maintenance of Plant	5,349,889	0
Pupil Transportation	2,322,389	0
Central	541,647	23,369
Operation of Non-Instructional Services	0	299,604
Extracurricular Activities	828,041	746,876
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
<i>Total Expenditures</i>	<u>44,752,878</u>	<u>2,442,270</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(506,994)</u>	<u>(49,394)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds of Bonds	0	0
Proceeds of Notes	0	0
Proceeds from Sale of Fixed Assets	7,545	0
Operating Transfers In	0	19,000
Operating Transfers Out	(675,672)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(668,127)</u>	<u>19,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(1,175,121)	(30,394)
<i>Fund Balances Beginning of Year (Restated Note 3)</i>	646,173	861,063
Increase in Reserve for Inventory	5,817	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$523,131)</u>	<u>\$830,669</u>

See accompanying notes to the general purpose financial statements

Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$3,019,781	\$1,216,671	\$40,525,071
321,710	103,733	7,244,318
39,459	440,023	1,129,634
0	0	698,863
0	0	775,312
0	0	141,585
0	0	129,626
0	82,730	1,218,458
<u>3,380,950</u>	<u>1,843,157</u>	<u>51,862,867</u>
0	0	23,780,595
0	0	3,621,096
0	0	444,237
0	0	2,791,233
0	0	2,177,123
0	0	37,276
0	0	2,426,034
0	0	942,952
0	0	862,787
0	0	5,349,889
0	0	2,322,389
0	0	565,016
0	0	299,604
0	0	1,574,917
0	4,203,620	4,203,620
8,825,000	0	8,825,000
1,200,356	0	1,200,356
<u>10,025,356</u>	<u>4,203,620</u>	<u>61,424,124</u>
<u>(6,644,406)</u>	<u>(2,360,463)</u>	<u>(9,561,257)</u>
7,000,000	0	7,000,000
7,000,000	0	7,000,000
0	0	7,545
100,000	537,672	656,672
0	0	(675,672)
<u>14,100,000</u>	<u>537,672</u>	<u>13,988,545</u>
7,455,594	(1,822,791)	4,427,288
1,259,042	8,767,459	11,533,737
0	0	5,817
<u>\$8,714,636</u>	<u>\$6,944,668</u>	<u>\$15,966,842</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, 2001*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$35,908,000	\$35,134,609	(\$773,391)
Intergovernmental	4,805,958	5,541,718	735,760
Interest	580,000	623,890	43,890
Tuition and Fees	613,200	694,042	80,842
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	145,000	123,906	(21,094)
Miscellaneous	65,800	934,223	868,423
<i>Total Revenues</i>	<u>42,117,958</u>	<u>43,052,388</u>	<u>934,430</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	23,307,992	23,422,631	(114,639)
Special	3,702,439	3,702,436	3
Vocational	450,302	450,302	0
Support Services:			
Pupils	2,662,595	2,392,395	270,200
Instructional Staff	1,687,023	1,563,929	123,094
Board of Education	42,650	38,585	4,065
Administration	2,429,642	2,429,642	0
Fiscal	918,722	942,472	(23,750)
Business	896,492	878,270	18,222
Operation and Maintenance of Plant	5,111,509	5,383,264	(271,755)
Pupil Transportation	2,215,484	2,356,087	(140,603)
Central	582,696	546,255	36,441
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	857,582	844,467	13,115
Capital Outlay			0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>44,865,128</u>	<u>44,950,735</u>	<u>(85,607)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,747,170)</u>	<u>(1,898,347)</u>	<u>848,823</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Proceeds from Sale of Fixed Assets	0	7,545	7,545
Advances In	0	14,350	14,350
Advances Out	0	(219,128)	(219,128)
Operating Transfers In	0	0	0
Operating Transfers Out	(675,672)	(675,672)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(675,672)</u>	<u>(872,905)</u>	<u>(197,233)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(3,422,842)</u>	<u>(2,771,252)</u>	<u>651,590</u>
<i>Fund Balances Beginning of Year</i>	3,516,031	3,516,031	0
Prior Year Encumbrances Appropriated	308,999	308,999	0
<i>Fund Balances End of Year</i>	<u>\$402,188</u>	<u>\$1,053,778</u>	<u>\$651,590</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,940,840	\$2,935,939	(\$4,901)
1,273,399	1,064,816	(208,583)	280,010	313,165	33,155
0	0	0	0	0	0
600	5,122	4,522	0	0	0
803,130	772,312	(30,818)	0	0	0
100,700	141,585	40,885	0	0	0
0	0	0	0	0	0
220,200	171,519	(48,681)	0	8,545	8,545
<u>2,398,029</u>	<u>2,155,354</u>	<u>(242,675)</u>	<u>3,220,850</u>	<u>3,257,649</u>	<u>36,799</u>
500,427	330,912	169,515	0	0	0
4,761	4,761	0	0	0	0
0	0	0	0	0	0
385,084	370,734	14,350	0	0	0
752,522	687,789	64,733	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
67,984	23,372	44,612	0	0	0
270,781	358,947	(88,166)	0	0	0
904,955	785,934	119,021	0	0	0
0	0	0	0	0	0
0	0	0	8,825,000	8,825,000	0
0	0	0	1,335,500	1,188,701	146,799
<u>2,886,514</u>	<u>2,562,449</u>	<u>324,065</u>	<u>10,160,500</u>	<u>10,013,701</u>	<u>146,799</u>
<u>(488,485)</u>	<u>(407,095)</u>	<u>81,390</u>	<u>(6,939,650)</u>	<u>(6,756,052)</u>	<u>183,598</u>
0	0	0	7,000,000	7,000,000	0
0	0	0	7,000,000	7,000,000	0
0	0	0	0	0	0
0	219,128	219,128	0	0	0
0	(14,350)	(14,350)	0	0	0
30,000	19,000	(11,000)	100,000	100,000	0
0	0	0	0	0	0
<u>30,000</u>	<u>223,778</u>	<u>193,778</u>	<u>14,100,000</u>	<u>14,100,000</u>	<u>0</u>
(458,485)	(183,317)	275,168	7,160,350	7,343,948	183,598
917,068	917,068	0	1,064,144	1,064,144	0
36,454	36,454	0	0	0	0
<u>\$495,037</u>	<u>\$770,205</u>	<u>\$275,168</u>	<u>\$8,224,494</u>	<u>\$8,408,092</u>	<u>\$183,598</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, 2001*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$1,784,231	\$1,177,681	(\$606,550)
Intergovernmental	100,000	103,733	3,733
Interest	10,000	392,950	382,950
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	0	0	0
Miscellaneous	200,710	82,730	(117,980)
<i>Total Revenues</i>	<u>2,094,941</u>	<u>1,757,094</u>	<u>(337,847)</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	10,117,006	6,390,544	3,726,462
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>10,117,006</u>	<u>6,390,544</u>	<u>3,726,462</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(8,022,065)</u>	<u>(4,633,450)</u>	<u>3,388,615</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	537,672	537,672
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>537,672</u>	<u>537,672</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(8,022,065)</u>	<u>(4,095,778)</u>	<u>3,926,287</u>
<i>Fund Balances Beginning of Year</i>	8,187,107	8,187,107	0
Prior Year Encumbrances Appropriated	614,996	614,996	0
<i>Fund Balances End of Year</i>	<u>\$780,038</u>	<u>\$4,706,325</u>	<u>\$3,926,287</u>

See accompanying notes to the general purpose financial statements.



Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$40,633,071	\$39,248,229	(\$1,384,842)
6,459,367	7,023,432	564,065
590,000	1,016,840	426,840
613,800	699,164	85,364
803,130	772,312	(30,818)
100,700	141,585	40,885
145,000	123,906	(21,094)
486,710	1,197,017	710,307
<u>49,831,778</u>	<u>50,222,485</u>	<u>390,707</u>
23,808,419	23,753,543	54,876
3,707,200	3,707,197	3
450,302	450,302	0
3,047,679	2,763,129	284,550
2,439,545	2,251,718	187,827
42,650	38,585	4,065
2,429,642	2,429,642	0
918,722	942,472	(23,750)
896,492	878,270	18,222
5,111,509	5,383,264	(271,755)
2,215,484	2,356,087	(140,603)
650,680	569,627	81,053
270,781	358,947	(88,166)
1,762,537	1,630,401	132,136
10,117,006	6,390,544	3,726,462
8,825,000	8,825,000	0
1,335,500	1,188,701	146,799
<u>68,029,148</u>	<u>63,917,429</u>	<u>4,111,719</u>
<u>(18,197,370)</u>	<u>(13,694,944)</u>	<u>4,502,426</u>
7,000,000	7,000,000	0
7,000,000	7,000,000	0
0	7,545	7,545
0	233,478	233,478
0	(233,478)	(233,478)
130,000	656,672	526,672
(675,672)	(675,672)	0
<u>13,454,328</u>	<u>13,988,545</u>	<u>534,217</u>
(4,743,042)	293,601	5,036,643
13,684,350	13,684,350	0
960,449	960,449	0
<u>\$9,901,757</u>	<u>\$14,938,400</u>	<u>\$5,036,643</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, 2001*

	Enterprise
<b>Operating Revenues</b>	
Tuition and Fees	\$182,836
Sales	1,026,747
	1,209,583
<i>Total Operating Revenues</i>	
<b>Operating Expenses</b>	
Salaries and Wages	402,238
Fringe Benefits	295,030
Purchased Services	140,952
Materials and Supplies	97,593
Cost of Sales	459,630
Depreciation	23,430
Other	2,731
	1,421,604
<i>Total Operating Expenses</i>	
<i>Operating Loss</i>	(212,021)
<b>Non-Operating Revenues</b>	
Donated Commodities	53,976
Operating Grants	63,132
	117,108
<i>Total Non-Operating Revenues</i>	
<i>Loss Before Operating Transfers</i>	(94,913)
Operating Transfers In	19,000
	(75,913)
Net Loss	
<i>Retained Earnings (Deficit) Beginning of Year (Restated Note 3)</i>	(91,879)
<i>Retained Earnings (Deficit) End of Year</i>	(167,792)
Contributed Capital Beginning and End of Year	312,311
	\$144,519
<i>Total Fund Equity End of Year</i>	\$144,519

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, 2001*

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Tuition and Fees	\$187,078	\$182,836	(\$4,242)
Sales	1,001,287	1,026,747	25,460
Operating Grants	64,700	63,132	(1,568)
<i>Total Revenues</i>	<u>1,253,065</u>	<u>1,272,715</u>	<u>19,650</u>
<b>Expenses</b>			
Salaries and Wages	422,591	430,436	(7,845)
Fringe Benefits	244,452	274,695	(30,243)
Purchased Services	141,259	138,649	2,610
Materials and Supplies	491,854	510,795	(18,941)
Capital Outlay	9,748	9,748	0
Other	3,200	2,731	469
<i>Total Expenses</i>	<u>1,313,104</u>	<u>1,367,054</u>	<u>(53,950)</u>
<i>Excess of Revenues Under Expenses</i>	(60,039)	(94,339)	(34,300)
Operating Transfers In	40,000	19,000	(21,000)
<i>Excess of Revenues Under Expenses and Operating Transfers</i>	(20,039)	(75,339)	(55,300)
<i>Fund Equity Beginning of Year</i>	67,259	67,259	0
Prior Year Encumbrances Appropriated	315	315	0
<i>Fund Equity (Deficit) End of Year</i>	<u>\$47,535</u>	<u>(\$7,765)</u>	<u>(\$55,300)</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, 2001*

	Enterprise
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,209,583
Cash Payments to Suppliers for Goods and Services	(646,665)
Cash Payments to Employees for Services	(430,436)
Cash Payments for Employee Benefits	(274,695)
Cash Payments for Other Expenses	(2,731)
<i>Net Cash Used for Operating Activities</i>	(144,944)
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	63,132
Short-Term Loans From Other Funds	10,137
Transfer In	19,000
<i>Net Cash Provided by Noncapital Financing Activities</i>	92,269
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Payments for Capital Acquisitions	(9,748)
<i>Net Decrease in Cash and Cash Equivalents</i>	(62,423)
<i>Cash and Cash Equivalents Beginning of Year</i>	67,573
<i>Cash and Cash Equivalents End of Year</i>	\$5,150
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
<i>Operating Loss</i>	(\$212,021)
Adjustments:	
Donated Commodities Used During Year	53,976
Depreciation	23,430
<i>(Increase) Decrease in Assets:</i>	
Materials and Supplies Inventory	24
Inventory Held for Resale	1,383
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	2,303
Accrued Wages	1,385
Compensated Absences Payable	(7,121)
Intergovernmental Payable	(8,303)
<i>Total Adjustments</i>	67,077
<i>Net Cash Used for Operating Activities</i>	(\$144,944)

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, 2001*

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**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 253 classified personnel, 377 certified full-time teaching personnel and 21 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 2001 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. This activity 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 and an insurance purchasing pool. These organizations are the Ohio Schools Council Association and Ohio School Boards Association Workers' Compensation Group Rating Program are presented in Notes 17 and 18 to the general purpose financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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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).

***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

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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(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 (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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.

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 governmental funds.

### ***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 this level 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



**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

***Estimated Resources*** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected 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 2001.

***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 Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution 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, adopted during the fiscal year 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

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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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. The uniform school supplies enterprise fund had expended more than its equity interest in the pooled bank account at June 30, 2001. The general fund made an advance to this fund to eliminate the negative cash balance. The general fund has an interfund receivable for the amount advanced while the fund with a negative cash balance has an interfund payable for the same amount on the combined balance sheet.

During fiscal year 2001, 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, 2001.

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 2001 amounted to \$650,152 which includes \$607,887 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 21 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

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

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

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

***H. 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."

***I. 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.

***J. 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 and notes are recognized as a liability of the general long-term obligations account group until due.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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Bond anticipation notes that are re-issued prior to the issuance of the financial statements and have a maturity date more than 12 months subsequent to the end of the fiscal year are reported in the general long-term obligations account group.

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

***K. 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.

***L. 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.

***M. 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, property taxes, and budget stabilization.

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

***N. Estimates***

The preparation of 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.

***O. 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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Note 3 - Change in Accounting Principles and Restatement of Fund Equity**

***Change in Accounting Principles*** For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No 36, "Recipient Reporting for Certain Shared Nonexchange Transactions." At June 30, 2000, there was no effect on fund balance as a result of implementing these new statements.

***Restatement of Fund Equity*** At June 30, 2000, interfund receivables and payables were overstated in the general, special revenue and enterprise funds.

Interfund receivables and payables were restated because the Board changed their status from temporary loans to permanent transfers.

Also, at June 30, 2000, self-insurance monies were held in a segregated account with a fiscal agent.

The effect of these changes on Fund Balance/Retained Earnings are as follows:

	General	Special Revenue	Enterprise
Fund Balance/Retained Earnings as Previously Reported	\$425,490	\$0	(\$500,579)
Self-Insurance Monies in Segregated Account			
With Fiscal Agent	632,383	0	0
Overstated Interfund Receivables/Payables	(411,700)	3,000	408,700
Restated Fund Balance/Retained Earnings as of June 30,	<u>\$646,173</u>	<u>\$3,000</u>	<u>(\$91,879)</u>

The effect of these changes in the excess of revenues and other financing sources over (under) expenditures and other financing uses and in the net loss as previously reported for the fiscal year ended June 30, 2000, is as follows:

	General	Special Revenue	Enterprise
Excess/Net Loss as Previously Reported	(\$3,567,391)	\$212,392	(\$44,347)
Self-Insurance Monies in Segregated Account			
With Fiscal Agent	632,383	0	0
Overstatement of Interfund Receivables/Payables	(411,700)	3,000	408,700
Restated Excess/Net Loss as of June 30, 2000	<u>(\$3,346,708)</u>	<u>\$215,392</u>	<u>\$364,353</u>

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

**Note 4 - Accountability and Compliance**

**A. Accountability**

Fund balance/retained earnings at June 30, 2001, included the following individual fund deficits:

	Deficit Fund Balance/ Retained Earnings
<i>General Fund</i>	\$523,131
<i>Special Revenue Funds:</i>	
Network Connectivity	44
Preschool	824
Title VI-B	5,079
<i>Enterprise:</i>	
Uniform School Supplies	10,137
Adult Education	10,913

The School District is analyzing fund operations to determine appropriate steps to alleviate the general fund deficit.

The deficit in special revenue funds 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.

**B. Compliance**

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

Fund	Appropriations	Expenditures	Excess
<i>Special Revenue Funds:</i>			
Venture Capital	\$28	\$37	(\$9)
Education Technology	69,000	69,585	(585)
Goals 2000 Grant	366,656	374,409	(7,753)
<i>Enterprise Funds:</i>			
Food Service	1,021,150	1,051,396	(30,246)
Uniform School Supplies	85,077	103,853	(18,776)
Adult Education	206,800	211,805	(5,005)

The School District had a negative cash balance in the uniform school supplies enterprise fund of \$10,137 indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section 5705.10.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

**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).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$1,175,121)	(\$30,394)	\$7,455,594	(\$1,822,791)
Net Adjustment for Revenue Accrual	(1,193,706)	(237,522)	(83,842)	(86,063)
Fair Value Adjustment for Investments	210	0	(39,459)	0
Advances In	14,350	219,128	0	0
Net Adjustment for Expenditure Accruals	(113,336)	20,652	11,655	(136,720)
Advances Out	(219,128)	(14,350)	0	0
Encumbrances	(84,521)	(140,831)	0	(2,050,204)
	(\$2,771,252)	(\$183,317)	\$7,343,948	(\$4,095,778)

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

Net Loss\Excess of Revenues Under Expenses and Operating Transfers Proprietary Fund Type	
	Enterprise
GAAP Basis	(\$75,913)
Net Adjustment for Revenue Accruals	(53,976)
Net Adjustment for Expenditure Accruals	43,646
Capital Outlay	(9,748)
Depreciation Expense	23,430
Encumbrances	(2,778)
Budget Basis	(\$75,339)

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan



**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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- Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
  4. Bonds and other obligations of the State of Ohio;
  5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
  6. The State Treasurer's investment pool (STAROhio);
  7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
  8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

***Cash on Hand*** At fiscal year end, the School District had \$2,595 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.

***Cash in Segregated Account with Fiscal Agent*** At fiscal year end, the School District had \$632,383 in self-insurance monies which is included on the balance sheet of the School District as part of cash equivalents in segregated accounts with fiscal agent.

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 \$564,070 and the bank balance was \$580,687. Of the bank balance:

1. \$250,178 of the bank balance was covered by federal depository insurance.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

2. \$330,509 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 Agreements	\$5,296,321	\$5,296,321	\$5,296,321
STAROhio		1,598,883	1,598,883
Federal Home Loan Mortgage Corporation Notes	2,309,179	2,309,179	2,309,179
Federal National Mortgage Association Notes	7,038,885	7,038,885	7,038,885
Federal Home Loan Bank Notes	507,655	507,655	507,655
<b>Total</b>	<b>\$15,152,040</b>	<b>\$16,750,923</b>	<b>\$16,750,923</b>

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$17,949,971	\$0
Petty Cash	(2,595)	
Cash with Fiscal Agent	(632,383)	
Investments which are part of a cash management pool:		
Repurchase Agreements	(5,296,321)	5,296,321
STAROhio	(1,598,883)	1,598,883
Federal Home Loan Mortgage Corporation Notes	(2,309,179)	2,309,179
Federal National Mortgage Association Notes	(7,038,885)	7,038,885
Federal Home Loan Bank Notes	(507,655)	507,655
<b>GASB Statement No. 3</b>	<b>\$564,070</b>	<b>\$16,750,923</b>

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

**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 2001 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 Tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second-Half		2001 First-Half	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$744,708,380	76.07%	\$861,137,110	77.54%
Public Utility Personal	29,535,230	3.02	28,330,900	2.56
Tangible Personal Property	204,677,358	20.91	221,099,246	19.90
	\$978,920,968	100.00%	\$1,110,567,256	100.00%
Tax rate per \$1,000 of assessed valuation	\$61.70		\$61.60	

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 2001 tangible personal property tax settlement was not received until July of 2001.

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, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current 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 is recognized as revenue.

The amount available as an advance at June 30, 2001, was \$1,944,631. \$1,708,043 was available to the general fund, \$189,303 was available to the bond retirement debt service fund, and \$47,285 was available to the permanent improvement fund capital projects fund.

**Note 8 - Receivables**

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Special Revenue Funds:</i>	
EMIS	\$14,905
Title VIB	219,128
Title I	56,562
Title VI	14,006
	\$304,601
Total	\$304,601

**Note 9 - Fixed Assets**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Equipment	\$568,961
Less: Accumulated Depreciation	(342,503)
Net Fixed Assets	\$226,458

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 06/30/00	Additions	Deductions	Balance 06/30/01
Land	\$2,485,217	\$170,750	\$0	\$2,655,967
Buildings	40,912,888	34,464	0	40,947,352
Furniture and Equipment	9,275,043	613,998	131,184	9,757,857
Vehicles	2,252,548	279,550	74,200	2,457,898
Construction in Progress	0	2,683,626	0	2,683,626
Total General Fixed Assets	\$54,925,696	\$3,782,388	\$205,384	\$58,502,700

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

**Note 10 - Contractual Commitments**

As of June 30, 2001, 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:

Projects	Amount Outstanding
High School Addition	\$1,738,225
High School Repairs	287,280
Bus Garage	6,124
<b>Total</b>	<b>\$2,031,629</b>

**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 2001, the School District contracted with following insurance companies:

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 three years. There has not been a significant reduction in coverage from the prior year.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

***B. Employee Benefits***

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. These benefits are 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 \$749.83 and \$282.00 respectively. The benefits that are included in this lump sum premium are medical, dental, vision, and life insurance.

The claims liability of \$472,262 reported in the general fund at June 30, 2001, 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 balance of claims payable at June 30, 2001 represents an estimate of the liability for unpaid claims costs provided by Medical Mutual of Ohio. Changes in the claims liability for 1999 through 2001 were:

Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
1999	\$875,851	\$2,786,936	\$2,836,572	\$826,215
2000	826,185	3,431,553	3,295,414	962,324
2001	962,324	3,350,398	3,840,460	472,262

***C. Workers Compensation***

For fiscal year 2001, 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

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 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, 2001, 2000, and 1999 were \$268,485, \$314,938, and \$415,057, respectively; 47.24 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$126,845 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

***B. State Teachers Retirement System***

The Solon City School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$2,216,008, \$1,323,069 and \$1,209,076, respectively; 89.21 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$239,134 representing the unpaid contribution for fiscal year 2001, 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.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$1,049,688 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from 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 2001, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$702,663.

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, 2000, (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

## **Note 14 - Employee Benefits**

### ***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.



**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

**Note 15 - Interfund Transactions**

Interfund balances at June 30, 2001, consisted of:

Fund	Receivable	Payable
General	\$250,705	\$380,000
<b>Special Revenue Funds</b>		
Title VI-B	0	219,128
Preschool Grant	0	21,440
<i>Total Special Revenue Funds</i>	0	240,568
<b>Capital Projects Fund</b>		
Permanent Improvement	380,000	0
<b>Enterprise Funds</b>		
Uniform School Supplies	0	10,137
<b>Total</b>	<b>\$630,705</b>	<b>\$630,705</b>

**Note 16 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2001, were as follows:

	Outstanding June 30, 2000	Additions	Deletions	Outstanding June 30, 2001
<b>General Obligation Bonds</b>				
1981 \$1,600,000				
School Improvement Bonds 7.13%	\$75,000	\$0	\$75,000	\$0
1989 \$2,850,000				
School Improvement Bonds 6.90%	1,880,000	0	135,000	1,745,000
1993 \$19,699,962				
Refunding School Improvement Bonds Various	12,794,962	0	1,470,000	11,324,962
1997 \$6,000,000				
School Improvement Bonds 5.30%	5,645,000	0	145,000	5,500,000
2001 \$7,000,000				
School Improvement Bonds 3.7%	0	7,000,000	0	7,000,000
<i>Total General Obligation Bonds</i>	<i>20,394,962</i>	<i>7,000,000</i>	<i>1,825,000</i>	<i>25,569,962</i>

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

	Outstanding June 30, 2000	Additions	Deletions	Outstanding June 30, 2001
2000 School Improvement Note 3.46%	7,000,000	0	7,000,000	0
2001 Bond Anticipation Note 3.64%	0	7,000,000	0	7,000,000
Compensated Absences	3,178,760	730,869	0	3,909,629
Intergovernmental Payable	373,710	348,544	373,710	348,544
Claims Payable	335,863	0	335,863	0
<i>Total General Long-Term Obligations</i>	<u>\$31,283,295</u>	<u>\$15,079,413</u>	<u>\$9,534,573</u>	<u>\$36,828,135</u>

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

During fiscal year 2000, the School District issued a one-year school improvement note for the purpose of improving school facilities and their sites. The note was retired with the proceeds of a bond anticipation note that was issued during fiscal year 2001. The note is backed by the full faith and credit of the School District.

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 refunded 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, 2001, the remaining outstanding \$13,000,000 of the refunded school improvement bonds are considered defeased by assets of \$13,374,166 held in the irrevocable trust.

The School District's overall legal debt margin was \$133,393,644 with an unvoted debt margin of \$1,110,567 at June 30, 2001. Principal and interest requirements to retire the bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2002	\$1,910,000	\$1,038,580	\$2,948,580
2003	2,085,000	1,092,169	3,177,169
2004	2,125,000	995,589	3,120,589
2005	1,090,786	2,009,601	3,100,387
2006	1,083,566	1,942,790	3,026,356
2007-2011	6,860,610	6,547,776	13,408,386
2012-2116	7,355,000	1,718,394	9,073,394
2117-2121	3,060,000	408,438	3,468,438
Total	<u>\$25,569,962</u>	<u>\$15,753,337</u>	<u>\$41,323,299</u>

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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**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 Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. 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 - Insurance Purchasing Pool**

The School District participates in the Ohio Schools' Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a seven member Board of Directors appointed by the participants. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

**Note 19 - Segment Information for Enterprise Funds**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Adult Education	Total
Operating Revenues	\$936,444	\$90,303	\$182,836	\$1,209,583
Depreciation	23,430	0	0	23,430
Operating Loss	(176,750)	(4,973)	(30,298)	(212,021)
Donated Commodities	53,976	0	0	53,976
Operating Grants	63,132	0	0	63,132
Operating Transfer In	0	0	19,000	19,000
Net Loss	(59,642)	(4,973)	(11,298)	(75,913)
Long-Term Compensated Absences	18,934	0	6,440	25,374
Net Working Capital	(41,955)	(10,137)	(4,473)	(56,565)
Fixed Asset Additions	9,748	0	0	9,748
Total Assets	252,929	0	842	253,771
Total Equity	165,569	(10,137)	(10,913)	144,519
Encumbrances, June 30, 2001	378	2,400	0	2,778

**Note 20 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

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

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2000	\$922,694	(\$1,408,344)	(\$212,248)
Current Year Set-aside Requirement	0	1,062,872	1,062,872
Current Year Offsets	0	(1,177,482)	0
Reduction Authorized by Legislative Revisions	(688,918)	0	0
Qualifying Disbursements	<u>0</u>	<u>0</u>	<u>(1,106,420)</u>
Totals	<u>\$233,776</u>	<u>(\$1,522,954)</u>	<u>(\$255,796)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$233,776</u>	<u>\$0</u>	<u>(\$255,796)</u>
Cash Balance Carried Forward to Fiscal Year 2002	<u>\$233,776</u>	<u>\$0</u>	<u>\$0</u>

The School District had current year offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$233,776.

**Note 22 - State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

**Solon City School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2001*

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The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 27, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

Solon City School District  
Cuyahoga County  
Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2001

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>						
Passed Through State Department of Education:						
Special Education Cluster :						
Education Handicapped Act	84.027	6B-SF 2000	\$93,912	\$0	\$313,040	\$0
Total Education Handicapped Act			93,912	0	313,040	0
Education Handicapped Act - Pre School 6B	84.173	PG-S1 2000	23,398	0	46,421	0
Total Education Handicapped Act			23,398	0	46,421	0
Total Special Education Cluster			117,310	0	359,461	0
Technology Literacy Challenge Fund	84.318	TF-41 2001	175,000	0	175,267	0
Technology Literacy Challenge Fund	84.318	TF-42 2001	100,000	0	100,000	0
Total Technology Literacy Challenge Fund			275,000	0	275,267	0
Title I Grants to Local Educational Agencies	84.010	C1-S1 2001	83,408	0	80,851	0
Innovative Education Program Strategies	84.298	C2-S1 1999	3,472	0	3,472	0
Innovative Education Program Strategies	84.298	C2-S1 2000	16,166	0	16,166	0
Innovative Education Program Strategies	84.298	C2-S1 2001	12,928	0	6,548	0
Total Innovative Education Program Strategies			32,566	0	26,186	0
Eisenhower Professional Development	84.281	MS-S1 2001	12,955	0	12,396	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1 2000	14,342	0	14,342	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1 2001	20,599	0	20,599	0
Total Safe and Drug-Free Schools and Communities			34,941	0	34,941	0
Class Size Reduction	84.340	CR SI 2000	23,950	0	31,344	0
Class Size Reduction	84.340	CR SI 2001	38,056	0	38,056	0
Total Class Size Reduction			62,006	0	69,400	0
Total U.S. Department of Education			618,186	0	858,502	0
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through State Department of Education:						
Nutrition Cluster:						
Food Distribution	10.550	N/A	0	56,610	0	53,976
National School Lunch Program	10.555	04PU 2000	61,979	0	61,979	0
Total - U.S. Department of Agriculture - Nutrition Cluster			61,979	56,610	61,979	53,976
Total Federal Financial Assistance			\$680,165	\$56,610	\$920,481	\$53,976

The accompanying notes are an integral part of the Schedule of Federal Award Expenditures.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Expenditures includes the federal grant activity of the District and is presented on the cash basis of accounting.

**NOTE B - 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.

**NOTE C - GOVERNMENT DONATED FOODS**

Values for commodities are based on fair market approximations. Values may change from month to month and are entirely subjective.

N/A - Not applicable

CFDA - Catalog of Federal Domestic Assistance





**STATE OF OHIO  
OFFICE OF THE AUDITOR**

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

Board of Education  
Solon City School District  
Cuyahoga County  
33800 Inwood 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, 2001, and have issued our report thereon dated November 27, 2001, wherein we noted the District restated the General and Enterprise Funds' net activity and fund balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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*.

Also, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 27, 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 November 27, 2001.

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

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

November 27, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Board of Education  
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, 2001. 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 auditing standards generally accepted in the United States of America; 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, 2001.

**Internal Control Over Compliance**

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

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

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

November 27, 2001

**OLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**JUNE 30, 2001  
SCHEDULE OF FINDINGS**

<b>SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 84.318 Technology Literacy Challenge Fund
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**JUNE 30, 2001  
SCHEDULE OF FINDINGS  
(Continued)**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**SOLON CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2001**