



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



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

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**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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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, 2002, 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, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the District restated the General and Capital Projects Funds and created an Internal Service Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2002 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.

The accompanying schedule of federal awards expenditures is presented for 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. In our opinion, it is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 5, 2002



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**SOLON CITY SCHOOL DISTRICT  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

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	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits</u></b>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 790,139	\$ 1,182,097	\$ 1,549,902	\$ 3,492,215
Restricted Cash	233,776	0	0	0
Receivables:				
Taxes	46,923,233	0	3,232,003	1,321,825
Accounts	17,611	431	0	1,126
Intergovernmental	0	3,948	0	0
Interfund	3,948	0	0	0
Materials and Supplies Inventory	59,845	0	0	0
Inventory Held for Resale	0	0	0	0
Fixed Assets (net where applicable of accumulated depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 48,028,552</b>	<b>\$ 1,186,476</b>	<b>\$ 4,781,905</b>	<b>\$ 4,815,166</b>

See accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 3,750	\$ 1,009,651	\$ 88,536	\$ 0	\$ 0	\$ 8,116,290
0	0	0	0	0	233,776
0	0	0	0	0	51,477,061
553	0	0	0	0	19,721
11,614	0	0	0	0	15,562
0	0	0	0	0	3,948
2,056	0	0	0	0	61,901
31,141	0	0	0	0	31,141
207,816	0	0	63,422,631	0	63,630,447
0	0	0	0	2,034,162	2,034,162
0	0	0	0	27,691,918	27,691,918
<u>\$ 256,930</u>	<u>\$ 1,009,651</u>	<u>\$ 88,536</u>	<u>\$ 63,422,631</u>	<u>\$ 29,726,080</u>	<u>\$ 153,315,927</u>

(Continued)

**SOLON CITY SCHOOL DISTRICT  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities, Fund Equity, and Other Credits</u></b>				
<u>Liabilities</u>				
Accounts Payable	\$ 162,090	\$ 52,986	\$ 0	\$ 41,473
Contracts Payable	0	0	0	274,362
Accrued Salaries and Benefits	4,463,954	0	0	0
Interfund Payable	0	3,948	0	0
Intergovernmental Payable	750,100	9,958	0	0
Due to Students	0	0	0	0
Deferred Revenue	39,543,321	0	2,747,743	1,108,338
General Obligation Bonds Payable	0	0	0	0
Compensated Absences Payable	80,611	0	0	0
Insurance Claims Payable	0	0	0	0
<b>Total Liabilities</b>	<b>45,000,076</b>	<b>66,892</b>	<b>2,747,743</b>	<b>1,424,173</b>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balance:				
Reserved for:				
Taxes	5,900,336	0	416,877	163,774
Budget Stabilization	233,776	0	0	0
Debt Service	0	0	1,617,285	0
Encumbrances	7,877	40,591	0	350,963
Inventory	59,845	0	0	0
Unreserved, Undesignated	(3,173,358)	1,078,993	0	2,876,256
<b>Total Fund Equity and Other Credits</b>	<b>3,028,476</b>	<b>1,119,584</b>	<b>2,034,162</b>	<b>3,390,993</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$48,028,552</b>	<b>\$ 1,186,476</b>	<b>\$ 4,781,905</b>	<b>\$ 4,815,166</b>

See accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 16,351	\$ 0	\$ 0	\$ 0	\$ 0	\$ 272,900
0	0	0	0	0	274,362
395	0	0	0	0	4,464,349
0	0	0	0	0	3,948
16,807	0	0	0	374,274	1,151,139
0	0	88,536	0	0	88,536
13,988	0	0	0	0	43,413,390
0	0	0	0	23,659,962	23,659,962
28,703	0	0	0	5,691,844	5,801,158
0	987,000	0	0	0	987,000
<u>76,244</u>	<u>987,000</u>	<u>88,536</u>	<u>0</u>	<u>29,726,080</u>	<u>80,116,744</u>
0	0	0	63,422,631	0	63,422,631
312,311	0	0	0	0	312,311
(131,625)	22,651	0	0	0	(108,974)
0	0	0	0	0	6,480,987
0	0	0	0	0	233,776
0	0	0	0	0	1,617,285
0	0	0	0	0	399,431
0	0	0	0	0	59,845
0	0	0	0	0	781,891
<u>180,686</u>	<u>22,651</u>	<u>0</u>	<u>63,422,631</u>	<u>0</u>	<u>73,199,183</u>
<u>\$ 256,930</u>	<u>\$ 1,009,651</u>	<u>\$ 88,536</u>	<u>\$ 63,422,631</u>	<u>\$ 29,726,080</u>	<u>\$153,315,927</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, 2002**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Revenues</b>					
Taxes	\$43,546,464	\$ 0	\$ 3,205,344	\$ 1,928,139	\$48,679,947
Intergovernmental	6,463,585	836,614	321,572	103,511	7,725,282
Tuition and Fees	657,835	0	0	0	657,835
Earnings on Investments	244,287	0	0	79,316	323,603
Extracurricular Activities	0	742,133	0	0	742,133
Classroom Materials and Fees	0	187,504	0	0	187,504
Charges for Services	116,415	0	0	0	116,415
Miscellaneous	143,263	918,285	0	26,577	1,088,125
<b>Total Revenues</b>	<b>51,171,849</b>	<b>2,684,536</b>	<b>3,526,916</b>	<b>2,137,543</b>	<b>59,520,844</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	24,993,385	138,283	0	464,888	25,596,556
Special	3,523,384	12,367	0	0	3,535,751
Vocational Education	648,700	0	0	0	648,700
Other	3,241	0	0	0	3,241
Support Services:					
Pupils	2,594,763	339,604	0	0	2,934,367
Instructional Staff	1,663,487	170,752	0	0	1,834,239
Board of Education	25,648	0	0	0	25,648
Administrative	3,026,432	0	0	0	3,026,432
Fiscal Services	1,123,535	0	6,171	1,775	1,131,481
Business	862,294	0	0	0	862,294
Operation and Maintenance of Plant Services	5,511,249	0	0	0	5,511,249
Pupil Transportation	2,229,059	0	0	0	2,229,059
Central Services	578,092	8,178	0	30,909	617,179
Operation of Non-					
Instructional Service:					
Food Services	0	2,317	0	0	2,317
Community Services	0	335,187	0	0	335,187
Extracurricular Activities	897,354	965,463	0	0	1,862,817
Capital Outlay	0	423,470	0	4,813,646	5,237,116
Debt Service:					
Principal Retirement	0	0	8,910,000	0	8,910,000
Interest and Fiscal Charges	0	0	1,391,219	0	1,391,219
<b>Total Expenditures</b>	<b>47,680,623</b>	<b>2,395,621</b>	<b>10,307,390</b>	<b>5,311,218</b>	<b>65,694,852</b>
Excess of Revenues Over (Under) Expenditures	3,491,226	288,915	(6,780,474)	(3,173,675)	(6,174,008)
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Assets	54,013	0	0	0	54,013
Operating Transfers In	0	0	100,000	0	100,000
Operating Transfers Out	(209,000)	0	0	0	(209,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(154,987)</b>	<b>0</b>	<b>100,000</b>	<b>0</b>	<b>(54,987)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,336,239	288,915	(6,680,474)	(3,173,675)	(6,228,995)
Fund Balance, as Restated - Beginning of Year	(303,252)	830,669	8,714,636	6,564,668	15,806,721
Decrease in Reserve for Inventory	(4,511)	0	0	0	(4,511)
<b>Fund Balance - End of Year</b>	<b>\$ 3,028,476</b>	<b>\$ 1,119,584</b>	<b>\$ 2,034,162</b>	<b>\$ 3,390,993</b>	<b>\$ 9,573,215</b>

See accompanying notes to the general purpose financial statements.

**OLON 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, 2002**

	GENERAL FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$39,868,734	\$39,312,206	\$ (556,528)
Intergovernmental	6,698,189	6,463,585	(234,604)
Earnings on Investments	288,324	270,809	(17,515)
Tuition and Fees	700,381	657,835	(42,546)
Extracurricular	0	0	0
Contributions and Donations	0	0	0
Charges for Services	125,504	117,880	(7,624)
Miscellaneous	188,840	177,369	(11,471)
<b>Total Revenues</b>	<u>47,869,972</u>	<u>46,999,684</u>	<u>(870,288)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	24,216,604	24,295,605	(79,001)
Special	4,409,116	4,026,613	382,503
Vocational	665,480	645,229	20,251
Support Services:			
Pupils	2,773,060	2,578,007	195,053
Instructional Staff	1,703,285	1,649,528	53,757
Board of Education	32,700	25,679	7,021
Administrative	2,739,825	2,770,422	(30,597)
Fiscal Services	1,046,250	1,039,201	7,049
Business	777,045	865,557	(88,512)
Operation and Maintenance of Plant Services	5,525,396	5,621,177	(95,781)
Pupil Transportation	2,186,973	2,277,444	(90,471)
Central Services	622,284	589,317	32,967
Operation of Non-Instructional Services:			
Food Services	0	0	0
Community Services	0	0	0
Extracurricular Activities	875,100	872,614	2,486
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<u>47,573,118</u>	<u>47,256,393</u>	<u>316,725</u>
Excess of Revenues Over (Under) Expenditures	<u>296,854</u>	<u>(256,709)</u>	<u>(553,563)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	57,506	54,013	(3,493)
Operating Transfers In	0	0	0
Operating Transfers Out	(260,000)	(209,000)	51,000
Advances In	256,127	240,568	(15,559)
Advances Out	0	(3,948)	(3,948)
<b>Total Other Financing Sources (Uses)</b>	<u>53,633</u>	<u>81,633</u>	<u>28,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>350,487</u>	<u>(175,076)</u>	<u>(525,563)</u>
Fund Balance - Beginning of Year	1,053,778	1,053,778	0
Prior Year Encumbrances Appropriated	84,523	84,523	0
<b>Fund Balance - End of Year</b>	<u><u>\$ 1,488,788</u></u>	<u><u>\$ 963,225</u></u>	<u><u>\$ (525,563)</u></u>

See accompanying notes to the general purpose financial statements.

**OLON 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, 2002**

	SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	941,918	1,066,699	124,781
Earnings on Investments	0	0	0
Tuition and Fees	0	0	0
Extracurricular	811,003	741,754	(69,249)
Contributions and Donations	117,420	187,506	70,086
Charges for Services	0	0	0
Miscellaneous	701,673	918,231	216,558
<b>Total Revenues</b>	<u>2,572,014</u>	<u>2,914,190</u>	<u>342,176</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	139,102	107,329	31,773
Special	18,700	12,368	6,332
Vocational	0	0	0
Support Services:			
Pupils	373,359	340,134	33,225
Instructional Staff	268,873	201,144	67,729
Board of Education	0	0	0
Administrative	1,316	2,538	(1,222)
Fiscal Services	0	0	0
Business	0	0	0
Operation and Maintenance of Plant Services	0	0	0
Pupil Transportation	0	0	0
Central Services	51,000	8,221	42,779
Operation of Non-Instructional Services:			
Food Services	47,200	43,751	3,449
Community Services	385,459	348,719	36,740
Extracurricular Activities	1,029,080	1,003,366	25,714
Capital Outlay	425,000	423,470	1,530
Debt Service:			
Principal and Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<u>2,739,089</u>	<u>2,491,040</u>	<u>248,049</u>
Excess of Revenues Over (Under) Expenditures	<u>(167,075)</u>	<u>423,150</u>	<u>590,225</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Advances In	3,948	3,948	0
Advances Out	(240,568)	(240,568)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(236,620)</u>	<u>(236,620)</u>	<u>0</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(403,695)</u>	<u>186,530</u>	<u>590,225</u>
Fund Balance - Beginning of Year	770,205	770,205	0
Prior Year Encumbrances Appropriated	140,830	140,830	0
<b>Fund Balance - End of Year</b>	<u><u>\$ 507,340</u></u>	<u><u>\$ 1,097,565</u></u>	<u><u>\$ 590,225</u></u>

See accompanying notes to the general purpose financial statements.



DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,071,285	\$ 3,033,112	\$ (38,173)	\$ 1,504,161	\$ 1,820,748	\$ 316,587
325,619	321,572	(4,047)	104,842	103,511	(1,331)
0	0	0	0	0	0
0	0	0	1,800,743	126,391	(1,674,352)
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	25,451	25,451	0
<u>3,396,904</u>	<u>3,354,684</u>	<u>(42,220)</u>	<u>3,435,197</u>	<u>2,076,101</u>	<u>(1,359,096)</u>
0	0	0	672,900	483,425	189,475
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	0	0	0
0	0	0	0	0	0
0	0	0	100,000	30,909	69,091
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	6,006,210	5,324,629	681,581
8,910,000	8,910,000	0	0	0	0
1,538,000	1,402,874	135,126	0	0	0
<u>10,448,000</u>	<u>10,312,874</u>	<u>135,126</u>	<u>6,779,110</u>	<u>5,838,963</u>	<u>940,147</u>
<u>(7,051,096)</u>	<u>(6,958,190)</u>	<u>92,906</u>	<u>(3,343,913)</u>	<u>(3,762,862)</u>	<u>(418,949)</u>
0	0	0	0	0	0
100,000	100,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(6,951,096)	(6,858,190)	92,906	(3,343,913)	(3,762,862)	(418,949)
8,408,092	8,408,092	0	4,706,325	4,706,325	0
0	0	0	2,050,203	2,050,203	0
<u>\$ 1,456,996</u>	<u>\$ 1,549,902</u>	<u>\$ 92,906</u>	<u>\$ 3,412,615</u>	<u>\$ 2,993,666</u>	<u>\$ (418,949)</u>

(Continued)

**OLON 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, 2002**

	TOTALS (MEMORANDUM ONLY)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$44,444,180	\$44,166,066	\$ (278,114)
Intergovernmental	8,070,568	7,955,367	(115,201)
Earnings on Investments	2,089,067	397,200	(1,691,867)
Tuition and Fees	700,381	657,835	(42,546)
Extracurricular	811,003	741,754	(69,249)
Contributions and Donations	117,420	187,506	70,086
Rentals and Donations	125,504	117,880	(7,624)
Miscellaneous	915,964	1,121,051	205,087
<b>Total Revenues</b>	<u>57,274,087</u>	<u>55,344,659</u>	<u>(1,929,428)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	25,028,606	24,886,359	142,247
Special	4,427,816	4,038,981	388,835
Vocational	665,480	645,229	20,251
Support Services:			
Pupils	3,146,419	2,918,141	228,278
Instructional Staff	1,972,158	1,850,672	121,486
Board of Education	32,700	25,679	7,021
Administrative	2,741,141	2,772,960	(31,819)
Fiscal Services	1,046,250	1,039,201	7,049
Business	777,045	865,557	(88,512)
Operation and Maintenance of Plant Services	5,525,396	5,621,177	(95,781)
Pupil Transportation	2,186,973	2,277,444	(90,471)
Central Services	773,284	628,447	144,837
Operation of Non-Instructional Services:			
Food Service	47,200	43,751	3,449
Community Services	385,459	348,719	36,740
Extracurricular Activities	1,904,180	1,875,980	28,200
Capital Outlay	6,431,210	5,748,099	683,111
Debt Service:			
Principal Retirement	8,910,000	8,910,000	0
Interest and Fiscal Charges	1,538,000	1,402,874	135,126
<b>Total Expenditures</b>	<u>67,539,317</u>	<u>65,899,270</u>	<u>1,640,047</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,265,230)</u>	<u>(10,554,611)</u>	<u>(289,381)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	57,506	54,013	(3,493)
Operating Transfers In	100,000	100,000	0
Operating Transfers Out	(260,000)	(209,000)	51,000
Advances In	260,075	244,516	(15,559)
Advances Out	(240,568)	(244,516)	(3,948)
<b>Total Other Financing Sources (Uses)</b>	<u>(82,987)</u>	<u>(54,987)</u>	<u>28,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(10,348,217)</u>	<u>(10,609,598)</u>	<u>(261,381)</u>
Fund Balances - Beginning of Year	14,938,400	14,938,400	0
Prior Year Encumbrances Appropriated	2,275,556	2,275,556	0
<b>Fund Balances - End of Year</b>	<u>\$ 6,865,739</u>	<u>\$ 6,604,358</u>	<u>\$ (261,381)</u>

See accompanying notes to the general purpose financial statements.

**SOLON CITY SCHOOL DISTRICT  
COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND EQUITY - ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	
<b><u>Operating Revenues</u></b>			
Tuition and Fees	\$ 145,982	\$ 0	\$ 145,982
Food Services	964,286	0	964,286
Classroom Materials and Fees	94,592	0	94,592
Charges for Services	0	5,461,030	5,461,030
Miscellaneous	1,074	0	1,074
<b>Total Operating Revenues</b>	<u>1,205,934</u>	<u>5,461,030</u>	<u>6,666,964</u>
<b><u>Operating Expenses</u></b>			
Salaries and Wages	423,771	0	423,771
Fringe Benefits	296,311	0	296,311
Claims	0	5,598,500	5,598,500
Purchased Services	94,899	0	94,899
Supplies and Materials	572,093	0	572,093
Depreciation Expense	23,962	0	23,962
Capital Outlay	6,327	0	6,327
Other	2,548	0	2,548
<b>Total Operating Expenses</b>	<u>1,419,911</u>	<u>5,598,500</u>	<u>7,018,411</u>
Operating Income (Loss)	<u>(213,977)</u>	<u>(137,470)</u>	<u>(351,447)</u>
<b><u>Non-Operating Revenues</u></b>			
Operating Grants	82,826	0	82,826
Donated Commodities	58,318	0	58,318
<b>Total Non-Operating Revenues</b>	<u>141,144</u>	<u>0</u>	<u>141,144</u>
Income (Loss) Before Operating Transfers	<u>(72,833)</u>	<u>(137,470)</u>	<u>(210,303)</u>
<b><u>Operating Transfers</u></b>			
Operating Transfers In	109,000	0	109,000
<b>Total Operating Transfers</b>	<u>109,000</u>	<u>0</u>	<u>109,000</u>
Net Income (Loss)	<u>36,167</u>	<u>(137,470)</u>	<u>(101,303)</u>
Retained Earnings (Deficit) - Beginning of Year, as Restated	(167,792)	160,121	(7,671)
Contributed Capital - Beginning and End of Year	<u>312,311</u>	<u>0</u>	<u>312,311</u>
Retained Earnings (Deficit) - End of Year	<u>\$ 180,686</u>	<u>\$ 22,651</u>	<u>\$ 203,337</u>

See accompanying notes to the general purpose financial statements.

**SOLOM CITY SCHOOL DISTRICT  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received from Customers	\$ 1,205,381	\$ 5,461,030	\$ 6,666,411
Cash Payments for Goods and Services	(611,987)	0	(611,987)
Cash Payments to Employees for Services	(449,980)	0	(449,980)
Cash Payments for Employee Benefits	(304,124)	0	(304,124)
Cash Payments for Other Operating Expenses	(2,548)	0	(2,548)
Cash Payments for Claims	0	(5,083,762)	(5,083,762)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(163,258)</u>	<u>377,268</u>	<u>214,010</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Operating Grants Received	68,315	0	68,315
Repayment of Short-Term Loan	(10,137)	0	(10,137)
Transfers In	109,000	0	109,000
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>167,178</u>	<u>0</u>	<u>167,178</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Payments for Capital Acquisition	(5,320)	0	(5,320)
<b>Net Cash Provided By (Used for) Capital and Related Financing Activities</b>	<u>(5,320)</u>	<u>0</u>	<u>(5,320)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,400)</u>	<u>377,268</u>	<u>375,868</u>
Cash and Cash Equivalents - Beginning of Year - as Restated	5,150	632,383	637,533
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 3,750</u></u>	<u><u>\$ 1,009,651</u></u>	<u><u>\$ 1,013,401</u></u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u></b>			
Operating Income (Loss)	<u>\$ (213,977)</u>	<u>\$ (137,470)</u>	<u>\$ (351,447)</u>
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u></b>			
Donated Commodities Used	58,318	0	58,318
Depreciation	23,962	0	23,962
(Increase) Decrease in Assets:			
Accounts Receivable	(553)	0	(553)
Materials and Supplies Inventory	(262)	0	(262)
Inventory Held for Resale	(10,772)	0	(10,772)
Increase (Decrease) in Liabilities:			
Accounts Payable	14,048	0	14,048
Accrued Wages	(5,874)	0	(5,874)
Compensated Absences Payable	3,329	0	3,329
Intergovernmental Payable	(31,477)	0	(31,477)
Claims Payable	0	514,738	514,738
<b>Total Adjustments</b>	<u>50,719</u>	<u>514,738</u>	<u>565,457</u>
<b>Net Cash Provided (Used for) Operating Activities</b>	<u><u>\$ (163,258)</u></u>	<u><u>\$ 377,268</u></u>	<u><u>\$ 214,010</u></u>

See accompanying notes to the general purpose financial statements.

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**SOLON CITY SCHOOL DISTRICT  
COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL -  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>ENTERPRISE FUNDS</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>			
Tuition	\$ 152,000	\$ 145,982	\$ (6,018)
Grant Revenue	64,000	68,315	4,315
Food Services	961,800	963,838	2,038
Classroom Materials and Fees	109,000	94,493	(14,507)
Miscellaneous	12,500	1,068	(11,432)
Self-Insurance Premiums	0	0	0
<b>Total Revenues</b>	<u>1,299,300</u>	<u>1,273,696</u>	<u>(25,604)</u>
<b><u>Expenses</u></b>			
Salaries and Wages	430,000	449,980	(19,980)
Fringe Benefits	309,200	304,124	5,076
Purchased Services	91,950	96,363	(4,413)
Supplies and Materials	541,722	514,892	26,830
Capital Outlay	8,000	6,327	1,673
Other Expenses	3,200	2,548	652
<b>Total Expenses</b>	<u>1,384,072</u>	<u>1,374,234</u>	<u>9,838</u>
Excess of Revenues Over(Under) Expenses	<u>(84,772)</u>	<u>(100,538)</u>	<u>(15,766)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Operating Transfers In	109,000	109,000	0
<b>Total Other Financing Sources (Uses)</b>	<u>109,000</u>	<u>109,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	24,228	8,462	(15,766)
Fund Equity (Deficit) - Beginning of Year	(7,765)	(7,765)	0
Prior Year Encumbrances Appropriated	2,778	2,778	0
<b>Fund Equity (Deficit) - End of Year</b>	<u>\$ 19,241</u>	<u>\$ 3,475</u>	<u>\$ (15,766)</u>

See accompanying notes to the general purpose financial statements.

<u>INTERNAL SERVICE FUNDS</u>			<u>TOTALS (MEMORANDUM ONLY)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 0	\$ 0	\$ 152,000	\$ 145,982	\$ (6,018)
0	0	0	64,000	68,315	4,315
0	0	0	961,800	963,838	2,038
0	0	0	109,000	94,493	(14,507)
0	0	0	12,500	1,068	(11,432)
6,000,000	5,461,030	(538,970)	6,000,000	5,461,030	(538,970)
<u>6,000,000</u>	<u>5,461,030</u>	<u>(538,970)</u>	<u>7,299,300</u>	<u>6,734,726</u>	<u>(564,574)</u>
0	0	0	430,000	449,980	(19,980)
6,000,000	5,083,762	916,238	6,309,200	5,387,886	921,314
0	0	0	91,950	96,363	(4,413)
0	0	0	541,722	514,892	26,830
0	0	0	8,000	6,327	1,673
0	0	0	3,200	2,548	652
<u>6,000,000</u>	<u>5,083,762</u>	<u>916,238</u>	<u>7,384,072</u>	<u>6,457,996</u>	<u>926,076</u>
<u>0</u>	<u>377,268</u>	<u>377,268</u>	<u>(84,772)</u>	<u>276,730</u>	<u>361,502</u>
0	0	0	109,000	109,000	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>109,000</u>	<u>109,000</u>	<u>0</u>
0	377,268	377,268	24,228	385,730	361,502
632,383	632,383	0	624,618	624,618	0
0	0	0	2,778	2,778	0
<u>\$ 632,383</u>	<u>\$ 1,009,651</u>	<u>\$ 377,268</u>	<u>\$ 651,624</u>	<u>\$ 1,013,126</u>	<u>\$ 361,502</u>

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**NOTE 1: DESCRIPTION OF THE DISTRICT AND THE REPORTING ENTITY**

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

The School District operates under a locally elected five-member Board and provides educational services as mandated by State and/or federal agencies. The Board controls the School District's seven instructional facilities staffed by 255 classified personnel, 383 certificated full-time teaching personnel, and 24 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 fiscal year 2002 was 5,104. The School District operates four elementary schools (K-1), one lower middle school (5-6), one upper middle school (7-8), and one high school (9-12).

**The 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 the School District, this includes general operations, food service, and student related activities of the School District.

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



**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 1: **DESCRIPTION OF THE DISTRICT AND THE REPORTING ENTITY** (Continued)

**The Reporting Entity** (Continued)

(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 and 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 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.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation - Fund Accounting** (Continued)

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 general 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 purposes provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - Special revenue funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures 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 Types**

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

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation - Fund Accounting** (Continued)

**Proprietary Fund Types** (Continued)

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

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

**Fiduciary Fund Type**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. The School District has no trust funds. The School District's agency fund is purely custodial in nature (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.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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.

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

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Measurement Focus and Basis of Accounting** (Continued)

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, 2002 but which were levied to finance year 2003 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 the governmental funds.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Budgetary Accounting**

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. 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 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's Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2002.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Budgetary Accounting** (Continued)

**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 expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation 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 provided 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 agency funds, consistent with statutory provisions.

**Encumbrances**

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

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Cash and Cash Equivalents**

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

During fiscal year 2002, 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.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$244,287 which includes \$214,332 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 3 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 3 months that are not purchased 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.



**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 receivables/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 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 judgments, compensated absences, contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources. Bonds are recognized as a liability in the general long-term obligations account group until due.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**J. Accrued Liabilities and Long-Term Obligations** (Continued)

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 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 appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. **Estimates**

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

O. **Memorandum Only - Total Columns**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither 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**

**Restatement of Fund Equity**

At June 30, 2001, interfund receivables and payables were restated because the Board changed their status from temporary loans to permanent transfers in the general and capital project funds.

An internal service fund was established to account for insurance claims. Self-insurance monies which were held in a segregated account with a fiscal agent at June 30, 2001 should be accounted for in this fund.

The effect of these changes on fund balance/retained earnings are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Internal Service</u>
Fund Balance/Retained Earnings as Previously Reported	\$(523,131)	\$6,944,668	\$ 0
Self-Insurance Monies in Segregated Account with Fiscal Agent	(632,383)	0	632,383
Interfund Receivables/Payables	380,000	(380,000)	0
Claims Payable	472,262	0	(472,262)
Restated Fund Balance/Retained Earnings as of June 30, 2001	<u>\$(303,252)</u>	<u>\$6,564,668</u>	<u>\$ 160,121</u>

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY**

**Restatement of Fund Equity**

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 income as previously reported for the fiscal year ended June 30, 2001 is as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Internal Service</u>
Excess/Net Income as Previously Reported	\$(1,175,121)	\$ (1,822,791)	\$ 0
Self-Insurance Monies in Segregated Account with Fiscal Agent	(632,383)	0	632,383
Interfund Receivables/Payables	380,000	(380,000)	0
Claims Payable	472,262	0	(472,262)
Restated Excess/Net Loss as of June 30, 2001	<u>\$ (955,242)</u>	<u>\$ (2,202,791)</u>	<u>\$ 160,121</u>

**NOTE 4: ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

Fund balance/retained earnings at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Fund Balance/ Retained Earnings</u>
<i>Special Revenue Funds:</i>	
Preschool	\$ 532
Goals 2000	1,163
<i>Enterprise Fund:</i>	
Adult Education	9,111

The deficit in the 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 fund had deficit retained earnings. Management is analyzing the operations to determine appropriate steps to alleviate the deficit.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 4: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

**B. Compliance**

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

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>Special Revenue Fund:</i>			
Auxiliary Services	\$ 322,291	\$ 332,408	\$ (10,117)

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types, and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types 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 basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
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.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 3,336,239	\$ 288,915	\$(6,680,474)	\$(3,173,675)
Net Adjustments for				
Revenue Accruals	(4,172,165)	229,654	(172,232)	(61,442)
Advances In	240,568	3,948	0	0
Net Adjustment for Expenditure				
Accruals	485,132	(13,917)	(5,484)	(29,196)
Advances Out	(3,948)	(240,568)	0	0
Encumbrances	(60,902)	(81,502)	0	(498,549)
Budget Basis	<u>\$ (175,076)</u>	<u>\$ 186,530</u>	<u>\$(6,858,190)</u>	<u>\$(3,762,862)</u>

Net Loss\Excess of Revenues Over (Under) Expenses and Operating Transfers  
All Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$ 36,167	\$ (137,470)
Net Adjustment for Revenue Accruals	(73,382)	0
Net Adjustment for Expense Accruals	27,310	1,147,121
Capital Outlay	(5,320)	0
Depreciation Expense	23,962	0
Encumbrances	(275)	0
Budget Basis	<u>\$ 8,462</u>	<u>\$ 1,009,651</u>

NOTE 6: **DEPOSITS AND INVESTMENTS**

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

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

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

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

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

Protection of 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 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 other obligations or securities issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and 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);



**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

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 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating 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. Payments 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 District had \$2,633 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

**Deposits**

At fiscal year end, the carrying amount of the School District's deposits was \$(71,978) and the bank balance was \$640,917. Of the bank balance:

1. \$250,234 of the bank balance was covered by federal depository insurance; and
2. \$390,683 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.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

**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.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 5,741,006	\$ 5,741,006	\$ 5,741,006
STAROhio		2,170,122	2,170,122
Federal Home Loan Bank Notes	508,283	508,283	508,283
Total Investments	<u>\$ 6,249,289</u>	<u>\$ 8,419,411</u>	<u>\$ 8,419,411</u>

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:

	<u>Cash and Cash</u> <u>Equivalents/</u> <u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 8,350,066	\$ 0
Petty Cash	(2,633)	0
Investments which are Part of a Cash Management Pool:		
Repurchase Agreements	(5,741,006)	5,741,006
STAROhio	(2,170,122)	2,170,122
Federal Home Loan Bank Notes	(508,283)	508,283
GASB Statement No. 3	<u>\$ (71,978)</u>	<u>\$ 8,419,411</u>

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

**NOTE 7: PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 2002 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002 on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at 35 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 35 percent of true value. 2002 public utility property taxes which became a lien December 31, 2001 are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2002 on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	<u>2001 Second-Half Collections</u>		<u>2002 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 861,137,110	77.54%	\$ 882,958,660	78.77%
Public Utility Personal	28,330,900	2.56%	24,249,130	2.16%
Tangible Personal Property	221,099,246	19.90%	213,735,951	19.07%
	<u>\$ 1,110,567,256</u>	<u>100.00%</u>	<u>\$ 1,120,943,741</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed valuation	\$ 61.60		\$ 68.40	

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 7: **PROPERTY TAXES** (Continued)

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 2002 tangible personal property tax settlement was not received until July of 2002.

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, 2002 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002 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, 2002 was \$6,480,987. \$5,900,336 was available to the general fund, \$416,877 was available to the bond retirement debt service fund, and \$163,774 was available to the permanent improvement fund capital projects fund.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

**NOTE 8: RECEIVABLES**

Receivables at June 30, 2002 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:

	<u>Amounts</u>
Special Revenue Fund:	
Drug-Free Schools	\$ 3,948
Enterprise Funds:	
Food Service	11,614
Total Intergovernmental Receivables	\$ 15,562

**NOTE 9: FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Equipment	\$ 574,281
Less: Accumulated Depreciation	(366,465)
Net Fixed Assets	\$ 207,816

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	<u>Balance at</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u>
	<u>June 30, 2001</u>			<u>June 30, 2002</u>
Land	\$ 2,655,967	\$ 561,330	\$ 633,314	\$ 2,583,983
Buildings	40,947,352	6,425,664	0	47,373,016
Furniture and Equipment	9,757,857	1,012,153	427,821	10,342,189
Vehicles	2,457,898	213,377	71,584	2,599,691
Construction in Progress	2,683,626	194,282	2,354,156	523,752
Total General Fixed Assets	\$ 58,502,700	\$ 8,406,806	\$ 3,486,875	\$ 63,422,631

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

**NOTE 10: CONTRACTUAL COMMITMENTS**

As of June 30, 2002 the School District had contractual purchase commitments for alterations, improvements, and renovations at the high school and surrounding parking lots.

The contractual commitments for the project are as follows:

<u>Project</u>	<u>Amount Outstanding</u>
High School Addition	\$ 270,804
Total	\$ 270,804

**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 2002, the School District contracted with the following insurance companies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Indiana Insurance Company	Property Coverage:	
	Blanket Buildings and Contents	\$108,769,385
	Extra Expense Coverage	300,000
Indiana Insurance Company	Valuable Papers	100,000
	Inland Marine:	
	Data and Media	3,537,536
	Musical Instruments	730,140
Indiana Insurance Company	Audio Visual	844,742
	Boiler and Machinery	Cost
	Crime Policy	100,000
	Employee Dishonesty	100,000
Ohio School Risk Sharing Authority	Money and Securities	25,000
	Auto Liability	1,000,000
	Auto Medical Payment	1,000/person
Nationwide Agribusiness Insurance Company	Uninsured Motorist	50,000
	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**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 11: **RISK MANAGEMENT** (Continued)

**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 internal service fund pays for the costs of providing claims servicing and claims payment. The premiums charged for family and single coverage are \$886 and \$331, respectively. The benefits that are included in this lump sum premium are medical, dental, vision, and life insurance.

The claims liability of \$987,000 reported in the general fund at June 30, 2002 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, 2002 represents an estimate of the liability for unpaid claims costs provided by Medical Mutual of Ohio. Changes in the claims liability for 2000 through 2002 were:

	<u>Beginning</u> <u>Balance</u>	<u>Current</u> <u>Year Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>
June 30, 2000	\$ 826,185	\$3,431,553	\$3,295,414	\$ 962,324
June 30, 2001	\$ 962,324	\$3,350,398	\$3,840,460	\$ 472,262
June 30, 2002	\$ 472,262	\$5,598,500	\$5,083,762	\$ 987,000

**C. Workers' Compensation**

For fiscal year 2002, 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.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 11: **RISK MANAGEMENT** (Continued)

C. **Workers' Compensation** (Continued)

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 enrollment fee to the Plan to cover costs of administering the program.

NOTE 12: **DEFINED BENEFIT PENSION PLANS**

A. **School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 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 years 2002 and 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount by SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$286,289, \$268,485, and \$314,938, respectively; 91.34 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000; \$31,641 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.



**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

**B. State Teachers Retirement System**

The 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, 2002, 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 2001, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$2,446,518, \$2,216,008, and \$1,323,069, respectively; 85.88 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$345,527, representing the unpaid contribution for fiscal year 2002, 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**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 13: **POSTEMPLOYMENT BENEFITS** (Continued)

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, 2002, 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 \$1,158,877 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information available) the balance in the fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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 25 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, 2002, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2001. 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 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$745,614.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 14: **EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to classified employees for 100 percent of the total sick leave accumulation, up to a maximum accumulation of 100 days, and for one-fourth of the remaining accumulated sick leave with a maximum accumulation of 150 days. Upon retirement, payment is made to teachers and administrators for 100 percent of total sick leave accumulation, with a maximum accumulation of 75 days.

NOTE 15: **INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2002 consisted of:

Fund	<u>Receivable</u>	<u>Payable</u>
<b>General</b>	\$ 3,948	\$ 0
<b>Special Revenue Fund</b>		
Drug Free Schools	0	3,948
<b>Total</b>	\$ 3,948	\$ 3,948

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

**NOTE 16: LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2002 were as follows:

	<u>Outstanding</u> <u>at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>at 6/30/02</u>
<b><u>General Obligations Bonds</u></b>				
1989 \$2,850,000 School Improvement Bonds - 6.90%	\$ 1,745,000	\$ 0	\$ 145,000	\$ 1,600,000
1993 \$19,699,962 Refunding School Improvement Bonds - Various	11,324,962	0	1,475,000	9,849,962
1997 \$6,000,000 School Improvement Bonds - 5.30%	5,500,000	0	160,000	5,340,000
2001 \$7,000,000 School Improvement Bonds - 3.7%	7,000,000	0	130,000	6,870,000
<b>Total General Obligation Bonds</b>	<u>25,569,962</u>	<u>0</u>	<u>1,910,000</u>	<u>23,659,962</u>
2001 Bond Anticipation Note - 3.64%	7,000,000	0	7,000,000	0
Compensated Absences	3,909,629	1,782,215	0	5,691,844
Intergovernmental Payable	348,544	374,274	348,544	374,274
<b>Total General Long-Term Obligations</b>	<u>\$36,828,135</u>	<u>\$ 2,156,489</u>	<u>\$ 9,258,544</u>	<u>\$29,726,080</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.

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. On December 1, 2001, the remaining \$12,000,000 of the refunded school improvement bonds, plus accrued interest were retired by the irrevocable trust.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

NOTE 16: **LONG-TERM OBLIGATIONS** (Continued)

The School District's overall legal debt margin was \$79,259,137 with an unvoted debt margin of \$1,110,567 at June 30, 2002. Principal and interest requirements to retire the bonds outstanding at June 30, 2002 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2003	\$ 2,085,000	\$ 1,087,567	\$ 3,172,567
2004	2,125,000	990,689	3,115,689
2005	1,090,788	2,004,182	3,094,970
2006	1,083,586	1,937,159	3,020,725
2007	1,087,212	1,871,814	2,959,027
2008-2012	7,533,397	5,152,801	12,686,198
2013-2017	6,640,000	1,289,379	7,929,379
2018-2021	2,015,000	212,559	2,227,559
Total	<u>\$23,659,983</u>	<u>\$14,546,151</u>	<u>\$ 38,206,115</u>

NOTE 17: **JOINTLY GOVERNED ORGANIZATION**

The Ohio Schools' Council Association (Council) is a jointly governed organization among 82 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 terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2002, 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.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

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

The School District also 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 their 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.

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, 2002.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

**NOTE 19: SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$ 965,360	\$ 94,592	\$ 145,982	\$ 1,205,934
Operating Expenses				
before Depreciation	1,148,330	75,439	172,180	1,395,949
Depreciation	23,962	0	0	23,962
Operating Income (Loss)	(206,932)	19,153	(26,198)	(213,907)
Donated Commodities	58,318	0	0	58,318
Operating Grants	82,826	0	0	82,826
Operating Transfers In	75,000	6,000	28,000	109,000
Net Income (Loss)	9,212	25,153	1,802	36,167
Sale of Assets	0	0	0	0
Earnings on Investments	0	0	0	0
Fixed Asset Additions	5,320	0	0	5,320
Net Working Capital	(12,780)	15,016	(1,661)	575
Total Assets	238,551	18,355	24	256,930
Total Equity	174,781	15,016	(9,111)	180,686
Encumbrances, June 30, 2002	275	0	0	275

**NOTE 20: CONTINGENCIES**

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, 2002.

**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.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**  
**(CONTINUED)**

NOTE 21: **SET ASIDE REQUIREMENTS** (Continued)

	Budget Stabilization <u>Reserve</u>	Capital Improvements <u>Reserve</u>	Textbooks/ Instructional Materials <u>Reserve</u>
Set-Aside Reserve Balances as of June 30, 2001	\$ 233,776	\$ (1,522,954)	\$ (255,796)
Current Year Set-Aside Requirements	0	927,974	927,974
Current Year Offsets	0	(1,213,858)	0
Reduction Authorized by Legislative Revisions		0	0
Qualifying Disbursements	0	0	(1,139,165)
Totals	<u>\$ 233,776</u>	<u>\$ (1,808,838)</u>	<u>\$ (466,987)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ 233,776</u>	<u>\$ 0</u>	<u>\$ (466,987)</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:

1. 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.
2. 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**  
**JUNE 30, 2002**  
**(CONTINUED)**

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NOTE 22: **STATE SCHOOL FUNDING DECISION** (Continued)

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

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. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002 the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial position.

NOTE 23: **SUBSEQUENT EVENTS**

In November 2002, a tornado damaged two school buildings. It is the opinion of the School District's management that all damages, including relocation costs, will be covered by the School District's property insurance coverage.

**Solon City School District  
Cuyahoga County  
Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2002**

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
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through State Department of Education:						
Special Education Cluster :						
Education Handicapped Act	84.027	6B-SF 2001	\$219,128	\$ -	\$0	\$ -
Education Handicapped Act	84.027	6B-SF 2002	322,447	-	305,821	-
Total Education Handicapped Act			541,575	-	305,821	-
Education Handicapped Act - Pre School VIB	84.173	PG-S1 2001	24,355	-	24,355	-
Total Education Handicapped Act			24,355	-	24,355	-
Total Special Education Cluster			565,930	-	330,176	-
Emergency Immigrant Education Program	84.162	EI-S1 2002	3,200	-	3,200	-
Innovative Education Program Strategies	84.298	C2-S1 2000	2,694	-	2,694	
Innovative Education Program Strategies	84.298	C2-S1 2001	14,007	-	17,693	
Innovative Education Program Strategies	84.298	C2-S1 2002	8,259	-	6,778	-
Total Innovative Education Program Strategies			24,960	-	27,165	-
Technology Literacy Challenge Fund	84.318	TF-43 2002	-	-	24,733	-
Eisenhower Professional Development	84.281	MS-S1 2002	23,494	-	19,949	-
Safe and Drug-Free Schools and Communities	84.186	DR-S1 2001	-	-	6,180	-
Safe and Drug-Free Schools and Communities	84.186	DR-S1 2002	15,794	-	13,562	-
Total Safe and Drug-Free Schools and Communities			15,794	-	19,742	-
Class Size Reduction	84.340	CR SI 2002	46,159	-	46,159	-
Refugee Child Grant	93.576	RI SI 2002	1,530	-	1,530	-
Total U.S. Department of Education			681,067	-	472,654	-
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through State Department of Education:						
Nutrition Cluster:						
Food Distribution	10.550	N/A	-	58,318	-	65,353
National School Lunch Program	10.555	LLP4-2002	67,443	-	67,443	-
Total - U.S. Department of Agriculture - Nutrition Cluster			67,443	58,318	67,443	65,353
<b>Total Federal Financial Assistance</b>			<b>\$748,510</b>	<b>\$58,318</b>	<b>\$540,097</b>	<b>\$65,353</b>

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  
JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NATIONAL SCHOOL LUNCH PROGRAM**

Federal receipts from the U.S. Department of Agriculture are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. At June 30, 2002, the District had food commodities valued at \$13,988 in inventory.

CFDA – Catalog of Federal Domestic Assistance.

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OFFICE OF THE AUDITOR

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

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, 2002, and have issued our report thereon dated December 5, 2002, wherein we noted the District restated the General and Capital Projects Funds and created an Internal Service Fund. 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*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 5, 2002.

**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 December 5, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

December 5, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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, 2002. 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, 2002.

**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. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 5, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 5, 2002



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**JUNE 30, 2002  
SCHEDULE OF FINDINGS**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**OLON 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  
JUNE 3, 2003**