



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

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



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

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**STATE OF OHIO**



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
Olmsted Falls City School District  
Cuyahoga County  
26937 Bagley Road  
Olmsted Falls, Ohio 44138

We have audited the accompanying general-purpose financial statements of the Olmsted Falls City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Olmsted Falls City School District, Cuyahoga County, Ohio as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

November 20, 2001

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**Olmsted Falls City School District**

*Combined Balance Sheet*

*All Fund Types and Account Groups*

*June 30, 2001*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$3,629,799	\$364,510	\$1,561,965	\$75,016
Investments	0	0	34,297	0
Receivables:				
Taxes	15,609,288	0	1,271,782	167,092
Accounts	616	0	0	0
Intergovernmental	25,885	24,977	0	0
Settlement	2,845,000	0	0	0
Interfund Receivable	2,082	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	138,481	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	106,632	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$22,357,783</b>	<b>\$389,487</b>	<b>\$2,868,044</b>	<b>\$242,108</b>



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$153,491	\$291,946	\$58,091	\$0	\$0	\$6,134,818
0	0	0	0	0	34,297
0	0	0	0	0	17,048,162
0	0	0	0	0	616
	0	0	0	0	50,862
0	0	0	0	0	2,845,000
0	0	0	0	0	2,082
19,323	0	0	0	0	19,323
1,720	0	0	0	0	140,201
0	0	0	0	0	106,632
185,160	0	0	34,888,198	0	35,073,358
0	0	0	0	1,697,777	1,697,777
0	0	0	0	16,874,118	16,874,118
<u>\$359,694</u>	<u>\$291,946</u>	<u>\$58,091</u>	<u>\$34,888,198</u>	<u>\$18,571,895</u>	<u>\$80,027,246</u>

(continued)

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Liabilities, Fund Equity and Other Credits</i></b>				
<b>Liabilities</b>				
Accounts Payable	\$130,945	\$11,975	\$0	\$1,250
Accrued Wages and Benefits	2,464,650	37,520	0	0
Compensated Absences Payable	28,451	0	0	0
Special Termination Benefits Payable	213,487	0	0	0
Interfund Payable	0	180	0	0
Intergovernmental Payable	420,328	5,627	0	0
Deferred Revenue	17,133,926	0	1,170,267	153,782
Due to Students	0	0	0	0
Notes Payable	1,560,000	0	0	0
Claims Payable	0	0	0	0
Loans Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b><i>Total Liabilities</i></b>	<b><u>21,951,787</u></b>	<b><u>55,302</u></b>	<b><u>1,170,267</u></b>	<b><u>155,032</u></b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	601,134	78,540	0	21,789
Reserved for Inventory	138,481	0	0	0
Reserved for Property Taxes	1,146,950	0	93,450	12,276
Reserved for Budget Stabilization	106,632	0	0	0
Unreserved:				
Undesignated	(1,587,201)	255,645	1,604,327	53,011
<b><i>Total Fund Equity (Deficit) and Other Credits</i></b>	<b><u>405,996</u></b>	<b><u>334,185</u></b>	<b><u>1,697,777</u></b>	<b><u>87,076</u></b>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<b><u><u>\$22,357,783</u></u></b>	<b><u><u>\$389,487</u></u></b>	<b><u><u>\$2,868,044</u></u></b>	<b><u><u>\$242,108</u></u></b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$9,175	\$24,949	\$1,796	\$0	\$0	\$180,090
56,727	0	0	0	0	2,558,897
12,892	0	0	0	2,456,067	2,497,410
0	0	0	0	69,589	283,076
0	0	1,902	0	0	2,082
12,286	0	0	0	260,302	698,543
13,664	0	0	0	0	18,471,639
0	0	54,393	0	0	54,393
0	0	0	0	0	1,560,000
0	225,618	0	0	0	225,618
0	0	0	0	34,297	34,297
0	0	0	0	272,105	272,105
0	0	0	0	15,479,535	15,479,535
<u>104,744</u>	<u>250,567</u>	<u>58,091</u>	<u>0</u>	<u>18,571,895</u>	<u>42,317,685</u>
0	0	0	34,888,198	0	34,888,198
134,714	0	0	0	0	134,714
120,236	41,379	0	0	0	161,615
0	0	0	0	0	701,463
0	0	0	0	0	138,481
0	0	0	0	0	1,252,676
0	0	0	0	0	106,632
0	0	0	0	0	325,782
<u>254,950</u>	<u>41,379</u>	<u>0</u>	<u>34,888,198</u>	<u>0</u>	<u>37,709,561</u>
<u>\$359,694</u>	<u>\$291,946</u>	<u>\$58,091</u>	<u>\$34,888,198</u>	<u>\$18,571,895</u>	<u>\$80,027,246</u>

**Olmsted Falls City School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001*

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Revenues</b>			
Taxes	\$14,350,545	\$0	\$796,178
Intergovernmental	10,290,136	551,769	178,648
Interest	364,865	0	0
Tuition and Fees	198,364	0	0
Extracurricular Activities	0	387,582	0
Contributions and Donations	0	146,709	0
Charges for Services	140,490	0	0
Rentals	68	625	0
Miscellaneous	397,068	36,130	0
<i>Total Revenues</i>	<u>25,741,536</u>	<u>1,122,815</u>	<u>974,826</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,532,153	140,285	0
Special	1,824,254	112,438	0
Vocational	362,385	0	0
Adult/Continuing	21,576	0	0
Other	69,767	0	0
Support Services:			
Pupils	1,068,266	84,109	0
Instructional Staff	685,966	88,113	0
Board of Education	118,720	0	0
Administration	1,951,953	59,126	0
Fiscal	562,331	0	516
Operation and Maintenance of Plant	2,749,753	0	0
Pupil Transportation	1,293,868	0	0
Central	100,713	12,000	0
Operation of Non-Instructional Services	20,287	126,011	0
Extracurricular Activities	730,211	436,731	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	205,194	0	1,084,539
Interest	124,376	0	637,928
<i>Total Expenditures</i>	<u>22,421,773</u>	<u>1,058,813</u>	<u>1,722,983</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,319,763</u>	<u>64,002</u>	<u>(748,157)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	525	0	0
Proceeds of Bonds	0	0	0
Operating Transfers In	0	0	679,754
Operating Transfers Out	(679,754)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(679,229)</u>	<u>0</u>	<u>679,754</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	2,640,534	64,002	(68,403)
<i>Fund Balances (Deficit) Beginning of Year</i>	(2,239,988)	270,183	1,766,180
Increase in Reserve for Inventory	5,450	0	0
<i>Fund Balances End of Year</i>	<u>\$405,996</u>	<u>\$334,185</u>	<u>\$1,697,777</u>

See accompanying notes to the general purpose financial statements

Capital Projects	Totals (Memorandum Only)
\$106,583	\$15,253,306
149,420	11,169,973
0	364,865
0	198,364
0	387,582
0	146,709
0	140,490
0	693
0	433,198
256,003	28,095,180
0	10,672,438
0	1,936,692
0	362,385
0	21,576
0	69,767
0	1,152,375
0	774,079
0	118,720
0	2,011,079
0	562,847
0	2,749,753
0	1,293,868
0	112,713
0	146,298
0	1,166,942
831,712	831,712
0	1,289,733
0	762,304
831,712	26,035,281
(575,709)	2,059,899
0	525
605,025	605,025
0	679,754
0	(679,754)
605,025	605,550
29,316	2,665,449
57,760	(145,865)
0	5,450
\$87,076	\$2,525,034

**Olmsted Falls City School District**  
*Combined Statement of Revenues, Expenditures and Changes In  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$14,228,407	\$14,675,737	\$447,330
Intergovernmental	10,260,835	10,275,739	14,904
Interest	300,000	364,865	64,865
Tuition and Fees	194,370	198,364	3,994
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Charges for Services	132,700	140,490	7,790
Rentals	23,000	25,410	2,410
Miscellaneous	322,000	398,142	76,142
<i>Total Revenues</i>	<u>25,461,312</u>	<u>26,078,747</u>	<u>617,435</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,600,408	10,558,816	41,592
Special	2,302,978	2,141,784	161,194
Vocational	366,606	360,784	5,822
Adult/Continuing	22,083	21,576	507
Other	72,333	72,167	166
Support Services:			
Pupils	1,126,296	1,109,836	16,460
Instructional Staff	681,077	667,516	13,561
Board of Education	180,181	174,865	5,316
Administration	1,951,240	1,924,599	26,641
Fiscal	578,726	571,356	7,370
Operation and Maintenance of Plant	2,849,030	2,828,463	20,567
Pupil Transportaton	1,390,375	1,371,224	19,151
Central	116,225	115,128	1,097
Operation of Non-Instructional Services	13,245	11,417	1,828
Extracurricular Activities	737,000	730,774	6,226
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>22,987,803</u>	<u>22,660,305</u>	<u>327,498</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,473,509</u>	<u>3,418,442</u>	<u>944,933</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	0	525	525
Proceeds from Sale of Bonds	0	0	0
Advances In	17,930	475,602	457,672
Advances Out	(457,672)	(457,672)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(1,758,255)	(1,758,254)	1
<i>Total Other Financing Sources (Uses)</i>	<u>(2,197,997)</u>	<u>(1,739,799)</u>	<u>458,198</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	275,512	1,678,643	1,403,131
<i>Fund Balances Beginning of Year</i>	718,492	718,492	0
Prior Year Encumbrances Appropriated	<u>597,263</u>	<u>597,263</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$1,591,267</u>	<u>\$2,994,398</u>	<u>\$1,403,131</u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,426,836	\$1,396,555	(\$30,281)
564,299	526,814	(37,485)	193,000	178,648	(14,352)
2,800	0	(2,800)	0	0	0
0	0	0	0	0	0
414,000	387,582	(26,418)	0	0	0
114,656	148,193	33,537	0	0	0
0	0	0	0	0	0
1,000	625	(375)	0	0	0
29,020	36,130	7,110	0	0	0
<u>1,125,775</u>	<u>1,099,344</u>	<u>(26,431)</u>	<u>1,619,836</u>	<u>1,575,203</u>	<u>(44,633)</u>
188,455	145,584	42,871	0	0	0
98,390	90,907	7,483	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
115,867	105,295	10,572	0	0	0
94,535	90,169	4,366	0	0	0
0	0	0	0	0	0
77,990	58,415	19,575	0	0	0
0	0	0	1,023	516	507
1,231	124	1,107	0	0	0
0	0	0	0	0	0
12,000	12,000	0	0	0	0
194,139	178,946	15,193	0	0	0
503,567	479,857	23,710	0	0	0
0	0	0	0	0	0
0	0	0	2,503,039	2,503,039	0
0	0	0	733,079	733,077	2
<u>1,286,174</u>	<u>1,161,297</u>	<u>124,877</u>	<u>3,237,141</u>	<u>3,236,632</u>	<u>509</u>
<u>(160,399)</u>	<u>(61,953)</u>	<u>98,446</u>	<u>(1,617,305)</u>	<u>(1,661,429)</u>	<u>(44,124)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(17,930)	(17,930)	0	0	0	0
0	0	0	2,614,315	1,758,254	(856,061)
0	0	0	0	0	0
<u>(17,930)</u>	<u>(17,930)</u>	<u>0</u>	<u>2,614,315</u>	<u>1,758,254</u>	<u>(856,061)</u>
(178,329)	(79,883)	98,446	997,010	96,825	(900,185)
306,697	306,697	0	1,499,437	1,499,437	0
<u>51,571</u>	<u>51,571</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$179,939</u>	<u>\$278,385</u>	<u>\$98,446</u>	<u>\$2,496,447</u>	<u>\$1,596,262</u>	<u>(\$900,185)</u>

(continued)

**Olmsted Falls City School District**  
*Combined Statement of Revenues, Expenditures and Changes In  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types (continued)  
For the Fiscal Year Ended June 30, 2001*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$150,254	\$116,094	(\$34,160)
Intergovernmental	155,620	149,420	(6,200)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Charges for Services	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>305,874</u>	<u>265,514</u>	<u>(40,360)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	100,013	100,013	0
Special	0	0	0
Vocational	1,484	1,484	0
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	6,500	614	5,886
Board of Education	0	0	0
Administration	0	0	0
Fiscal	1,000	45	955
Operation and Maintenance of Plant	0	0	0
Pupil Transportaton	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	24,000	24,000	0
Extracurricular Activities	0	0	0
Capital Outlay	771,203	742,704	28,499
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>904,200</u>	<u>868,860</u>	<u>35,340</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(598,326)</u>	<u>(603,346)</u>	<u>(5,020)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	0	0	0
Proceeds from Sale of Bonds	605,025	605,025	0
Advances In	457,672	457,672	0
Advances Out	(457,672)	(457,672)	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>605,025</u>	<u>605,025</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	6,699	1,679	(5,020)
<i>Fund Balances Beginning of Year</i>	4,460	4,460	0
Prior Year Encumbrances Appropriated	<u>45,838</u>	<u>45,838</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$56,997</u></u>	<u><u>\$51,977</u></u>	<u><u>(\$5,020)</u></u>

See accompanying notes to the general purpose financial statements



Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$15,805,497	\$16,188,386	\$382,889
11,173,754	11,130,621	(43,133)
302,800	364,865	62,065
194,370	198,364	3,994
414,000	387,582	(26,418)
114,656	148,193	33,537
132,700	140,490	7,790
24,000	26,035	2,035
351,020	434,272	83,252
<u>28,512,797</u>	<u>29,018,808</u>	<u>506,011</u>
10,888,876	10,804,413	84,463
2,401,368	2,232,691	168,677
368,090	362,268	5,822
22,083	21,576	507
72,333	72,167	166
1,242,163	1,215,131	27,032
782,112	758,299	23,813
180,181	174,865	5,316
2,029,230	1,983,014	46,216
580,749	571,917	8,832
2,850,261	2,828,587	21,674
1,390,375	1,371,224	19,151
128,225	127,128	1,097
231,384	214,363	17,021
1,240,567	1,210,631	29,936
771,203	742,704	28,499
2,503,039	2,503,039	0
733,079	733,077	2
<u>28,415,318</u>	<u>27,927,094</u>	<u>488,224</u>
<u>97,479</u>	<u>1,091,714</u>	<u>994,235</u>
0	525	525
605,025	605,025	0
475,602	933,274	457,672
(933,274)	(933,274)	0
2,614,315	1,758,254	(856,061)
<u>(1,758,255)</u>	<u>(1,758,254)</u>	<u>1</u>
<u>1,003,413</u>	<u>605,550</u>	<u>(397,863)</u>
1,100,892	1,697,264	596,372
2,529,086	2,529,086	0
<u>694,672</u>	<u>694,672</u>	<u>0</u>
<u>\$4,324,650</u>	<u>\$4,921,022</u>	<u>\$596,372</u>

**Olmsted Falls City School District**  
*Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2001*

	Enterprise	Internal Service	Totals (Memorandum Only)
<b>Operating Revenues</b>			
Sales	\$815,134	\$0	\$815,134
Charges for Services	0	1,904,203	1,904,203
Other Revenue	3,238	0	3,238
<i>Total Operating Revenues</i>	<u>818,372</u>	<u>1,904,203</u>	<u>2,722,575</u>
<b>Operating Expenses</b>			
Salaries and Wages	351,771	0	351,771
Fringe Benefits	118,893	0	118,893
Purchased Services	7,023	437,152	444,175
Materials and Supplies	107,453	0	107,453
Cost of Sales	401,284	0	401,284
Depreciation	26,945	0	26,945
Claims	0	1,466,727	1,466,727
Other	4,471	0	4,471
<i>Total Operating Expenses</i>	<u>1,017,840</u>	<u>1,903,879</u>	<u>2,921,719</u>
<i>Operating Income (Loss)</i>	<u>(199,468)</u>	<u>324</u>	<u>(199,144)</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	48,479	0	48,479
Operating Grants	113,897	0	113,897
Interest	3,461	0	3,461
<i>Total Non-Operating Revenues</i>	<u>165,837</u>	<u>0</u>	<u>165,837</u>
<i>Net Income (Loss)</i>	<u>(33,631)</u>	<u>324</u>	<u>(33,307)</u>
<i>Retained Earnings Beginning of Year</i>	<u>153,867</u>	<u>41,055</u>	<u>194,922</u>
<i>Retained Earnings End of Year</i>	<u>120,236</u>	<u>41,379</u>	<u>161,615</u>
<i>Contributed Capital Beginning and End of Year</i>	<u>134,714</u>	<u>0</u>	<u>134,714</u>
<i>Total Fund Equity End of Year</i>	<u><u>\$254,950</u></u>	<u><u>\$41,379</u></u>	<u><u>\$296,329</u></u>

See accompanying notes to the general purpose financial statements

**Olmsted Falls City School District**  
*Combined Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2001*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Sales	\$767,665	\$819,029	\$51,364
Charges for Services	0	0	0
Interest	3,000	3,461	461
Operating Grants	123,345	113,897	(9,448)
Other Revenues	5,990	3,238	(2,752)
<i>Total Revenues</i>	<u>900,000</u>	<u>939,625</u>	<u>39,625</u>
<b>Expenses</b>			
Salaries and Wages	312,545	312,517	28
Fringe Benefits	106,705	106,001	704
Purchased Services	8,677	7,158	1,519
Materials and Supplies	491,716	464,609	27,107
Capital Outlay	3,445	0	3,445
Claims	0	0	0
Other	4,500	4,471	29
<i>Total Expenses</i>	<u>927,588</u>	<u>894,756</u>	<u>32,832</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(27,588)	44,869	72,457
<i>Fund Equity Beginning of Year</i>	85,778	85,778	0
<i>Prior Year Encumbrances Appropriated</i>	<u>12,986</u>	<u>12,986</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$71,176</u></u>	<u><u>\$143,633</u></u>	<u><u>\$72,457</u></u>

(continued)

**Olmsted Falls City School District**  
*Combined Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types (continued)  
For the Fiscal Year Ended June 30, 2001*

	Internal Service Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Sales	\$0	\$0	\$0
Charges for Services	1,798,942	1,905,201	106,259
Interest	0	0	0
Operating Grants	0	0	0
Other Revenues	0	0	0
<i>Total Revenues</i>	<u>1,798,942</u>	<u>1,905,201</u>	<u>106,259</u>
<b>Expenses</b>			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Purchased Services	414,176	412,526	1,650
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Claims	1,440,827	1,412,080	28,747
Other	0	0	0
<i>Total Expenses</i>	<u>1,855,003</u>	<u>1,824,606</u>	<u>30,397</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(56,061)	80,595	136,656
<i>Fund Equity Beginning of Year</i>	209,822	209,822	0
Prior Year Encumbrances Appropriated	<u>1,001</u>	<u>1,001</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$154,762</u>	<u>\$291,418</u>	<u>\$136,656</u>

See accompanying notes to the general purpose financial statements

<u>Totals (Memorandum Only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$767,665	\$819,029	\$51,364
1,798,942	1,905,201	106,259
3,000	3,461	461
123,345	113,897	(9,448)
5,990	3,238	(2,752)
<u>2,698,942</u>	<u>2,844,826</u>	<u>145,884</u>
312,545	312,517	28
106,705	106,001	704
422,853	419,684	3,169
491,716	464,609	27,107
3,445	0	3,445
1,440,827	1,412,080	28,747
4,500	4,471	29
<u>2,782,591</u>	<u>2,719,362</u>	<u>63,229</u>
(83,649)	125,464	209,113
295,600	295,600	0
13,987	13,987	0
<u>\$225,938</u>	<u>\$435,051</u>	<u>\$209,113</u>

**Olmsted Falls City School District**  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types*  
*For the Fiscal Year Ended June 30, 2001*

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$819,029	\$0	\$819,029
Cash Received from Quasi-External Transactions with Other Funds	0	1,905,201	1,905,201
Cash Received from Others	3,238	0	3,238
Cash Payments to Suppliers for Goods and Services	(461,909)	(412,526)	(874,435)
Cash Payments to Employees for Services	(418,518)	0	(418,518)
Cash Payments for Claims	0	(1,411,552)	(1,411,552)
Cash Payments for Other	(4,471)	0	(4,471)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(62,631)	81,123	18,492
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	113,897	0	113,897
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments	3,461	0	3,461
<i>Net Increase in Cash and Cash Equivalents</i>	54,727	81,123	135,850
<i>Cash and Cash Equivalents Beginning of Year</i>	98,764	210,823	309,587
<i>Cash and Cash Equivalents End of Year</i>	\$153,491	\$291,946	\$445,437
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</i></b>			
Operating Income (Loss)	(\$199,468)	\$324	(\$199,144)
Adjustments:			
Depreciation	26,945	0	26,945
Donated Commodities Used During Year	48,479	0	48,479
(Increase) Decrease in Assets:			
Accounts Receivable	3,895	998	4,893
Inventory Held for Resale	1,170	0	1,170
Materials and Supplies Inventory	(51)	0	(51)
Increase (Decrease) in Liabilities:			
Accounts Payable	4,471	24,626	29,097
Accrued Wages	46,753	0	46,753
Compensated Absences Payable	5,392	0	5,392
Intergovernmental Payable	(217)	0	(217)
Claims Payable	0	55,175	55,175
<i>Total Adjustments</i>	136,837	80,799	217,636
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$62,631)	\$81,123	\$18,492

See accompanying notes to the general purpose financial statements

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

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

The Olmsted Falls City School District operates under a locally elected five member Board and provides educational services as mandated by State/or federal agencies. The School District, located in Cuyahoga and Lorain Counties with the majority of the district located in Cuyahoga County, includes the City of Olmsted Falls, a small portion of the City of Berea, Olmsted Township and a small portion of Columbia Hills Township. All of the communities served are located in Cuyahoga County with the exception of Columbia Hills Township, which is located in Lorain County. It is staffed by 130 non-certified personnel, 200 certified full-time teaching personnel and 14 administrative employees to provide services to 3,171 students and other community members. The School District operates 1 primary school (K-3), 1 intermediate school (4-5), 1 middle school (6-8), and 1 high school (9-12).

*Reporting Entity*

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

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

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organization are the Lake Erie Educational Computer Association (LEECA), the Ohio Schools Council, the Polaris Career Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

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

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

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

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

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

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

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

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary and fiduciary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

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

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

*Proprietary Fund Types:*

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



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

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

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

*Fiduciary Fund Type:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

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

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

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

***B. Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the 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.

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

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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 requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***C. Budgetary Process***

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

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

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*Tax Budget:*

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

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

*Estimated Resources:*

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

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function, and object level of expenditures for the general fund and the debt service fund, and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations, within the general or debt service funds, or alter object appropriations within functions within the general or debt service fund must be approved by the Board of Education. Allocations of appropriations among functions within a fund other than general and debt service funds may be made during the fiscal year by the Treasurer without Board approval.

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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

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*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

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

***D. Cash And Investments***

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

During fiscal year 2001, investments were limited to manuscript bonds, STAROhio, and repurchase agreements.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$364,865 which includes \$219,292 assigned from other School District funds.

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

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

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***E. Inventory***

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

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

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

Improvements are capitalized and depreciated over the remaining useful lives of fund fixed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements to proprietary fund fixed assets are depreciated.

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

***G. Interfund Assets/Liabilities***

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

***H. 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 amounts 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.

***I. Compensated Absences***

The School District records compensated absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after two years of current service with the School District.

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

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

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

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

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

***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 a reduction of expenditures/expenses in the fund that is reimbursed.

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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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***L. Fund Balance Reserves and Designations***

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes 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 the statute to protect against cyclical changes in revenues and expenditures.

***M. Contributed Capital***

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

***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 - Totals Columns***

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

**Note 3 - Change in Accounting Principles and Restatements of Balances**

For fiscal year 2001, the district has implemented GASB Statement No.33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Transactions". The implementation of these statements did not create a material change in fund balance at June 30, 2000.

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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**Note 4 - Fund Deficits**

Fund balances at June 30, 2001 included the following individual fund deficits:

<b>Special Revenue Funds</b>	
Teacher Development	\$61
Management Information Systems	57
Summer Intervention	49
Title I	4,116
Miscellaneous Federal Grant	3,688

The special revenue fund deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

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



**Olmsted Falls City School District**  
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The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Net Income (Loss)/Excess of Revenues Over Expenses  
Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$33,631)	\$324
Revenue Accrual	3,895	998
Expense Accrual	57,518	79,801
Depreciation Expense	26,945	0
Encumbrances	(9,858)	(528)
Budget Basis	\$44,869	\$80,595

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$2,640,534	64,002	(\$68,403)	\$29,316
Revenue Accruals	337,211	(23,471)	600,377	9,511
Expenditure Accruals	(1,010,148)	(16,359)	0	(14,109)
Advances In	475,602	0	0	457,672
Advances Out	(457,672)	(17,930)	0	(457,672)
Note activity with differing fund treatment:				
Transfers	(1,078,500)	0	1,078,500	0
Principal Retirement	1,418,500	0	(1,418,500)	0
Interest and Fiscal Charges	95,149	0	(95,149)	
Encumbrances	(742,033)	(86,125)	0	(23,039)
Budget Basis	\$1,678,643	(\$79,883)	\$96,825	\$1,679

**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.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At year end, the School District had \$3,750 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was (\$405,884) and the bank balance was \$5,170. The entire bank balance was covered by federal depository insurance.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Carrying Value	Fair Value
Manuscript Bond	\$34,297	\$0	\$34,297	\$34,297
Repurchase Agreement		556,000	556,000	556,000
STAROhio			6,087,584	6,087,584
Totals	\$34,297	\$556,000	\$6,677,881	\$6,677,881

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Accounting".

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

**Olmsted Falls City School District**  
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	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement 9	\$6,241,450	\$34,297
Investments which are part of the Cash management pool:		
Repurchase Agreement	(556,000)	556,000
STAROhio	(6,087,584)	6,087,584
Cash on Hand	(3,750)	0
GASB Statement 3	(\$405,884)	\$6,677,881

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of the prior January 1, 2001 the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

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

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

	2000 Second Half Collections		2001 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$283,180,670	91.31%	\$329,779,100	92.85%
Public Utility	15,734,980	5.07	15,415,390	4.34
Tangible Personal Property	11,217,996	3.62	9,980,404	2.81
Total Assessed Value	\$310,133,646	100.00%	\$355,174,894	100.00%
Tax rate per \$1,000 of assessed valuation	\$91.70		\$92.70	

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. This year, the June 2001 tangible personal property tax settlement was not received until July of 2001.

The Cuyahoga and Lorain County Treasurers collect property taxes on behalf of all taxing districts in the county, including Olmsted Falls City School District. The County Auditors periodically remit to the School District its portion of taxes. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which are measurable as of June 30, 2001 and for which there is an enforceable claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2001, was \$1,252,676. \$1,146,950 was available to the general fund, \$93,450 was available to the debt service fund and \$12,276 as available to the classroom facilities capital projects fund.

**Note 8 - Receivables**

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

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Various cities and school districts	\$25,885
Special Revenue:	
Various grants	24,977
Total Intergovernmental	\$50,862

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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**Note 9 - Settlement Receivable**

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

**Note 10 - Fixed Assets**

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

Furniture and Equipment	\$573,273
Less Accumulated Depreciation	<u>(388,113)</u>
Net Fixed Assets	<u><u>\$185,160</u></u>

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

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$1,547,416	\$0	\$0	\$1,547,416
Buildings	25,170,333	0	0	25,170,333
Furniture and Equipment	5,172,597	492,055	0	5,664,652
Vehicles	1,793,213	0	0	1,793,213
Textbooks and Library Books	<u>712,584</u>	<u>0</u>	<u>0</u>	<u>712,584</u>
Totals	<u><u>\$34,396,143</u></u>	<u><u>\$492,055</u></u>	<u><u>\$0</u></u>	<u><u>\$34,888,198</u></u>

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with the Nationwide Commercial Insurance Company for property insurance. The deductible is \$1,000 per incident. Vehicles are insured with Nationwide as well and have a \$250 deductible.

**Olmsted Falls City School District**  
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Professional liability is protected by the Nationwide Mutual Insurance Company for all Board Members, administrators, and employees with limits of \$2,000,000 per occurrence and \$5,000,000 aggregate limit.

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

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District has elected to provide medical/surgical, vision, prescription and dental coverage benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. A third party administrator, Medical Mutual of Ohio, reviews all claims which are then paid by the School District. The premiums are paid by the fund that pays the salary for the employee.

The claims liability of \$225,618 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator. The requirements of Governmental Accounting Standards Board Statement No. 30 require that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1999 through 2001 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$150,635	\$1,423,984	\$1,416,469	\$158,150
2000	158,150	1,231,193	1,218,900	170,443
2001	170,443	1,466,727	1,411,552	225,618

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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**Note 12 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 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 at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$158,877, \$271,043, and \$279,470 respectively; 47.4 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$109,440 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,031,040, \$594,921, and \$580,744, respectively; 82.33 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$115,039 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.



**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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**Note 13 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$488,387 for fiscal year 2001.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$370,714.

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

**Olmsted Falls City School District**  
*Notes to the General Purpose Financial Statements*  
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**Note 14 - Other Employee Benefits**

**A. *Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 90 days.

**B. *Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is equal to employees' annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through the E.E.L.I.T. (Educational Employees Life Insurance Trust).

**Note 15 - Leases**

**A. *Capital Leases***

General fixed assets consisting of equipment, vehicles, and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$868,032. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$205,193 in the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	GLTOAG
2002	\$146,497
2003	69,115
2004	69,710
2005	14,757
Total	300,079
Less: Amount Representing Interest	(27,973)
Present Value of Net Minimum Lease Payments	\$272,106

**B. *Operating Leases***

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

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

Fiscal Year Ending June 30,	
2002	\$70,941
2003	70,884
2004	25,201
2005	7,353
2006	7,353
2007	3,675
Total	\$185,407

**Note 16 - Long Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
<i>General Obligation Bonds:</i>				
Classroom Facilities Improvement 1995: 5.10-5.85%	\$7,035,000	\$0	(\$320,000)	\$6,715,000
Energy Conservation Improvement 1995: varying interest rates	750,000	0	(125,000)	625,000
School Improvement Refunding 1997 3.85-4.55%	4,120,000	0	(550,000)	3,570,000
School Improvement Refunding Capital Appreciation Debt 1997 6.50-6.75%	3,531,012	238,498	0	3,769,510
Various Purpose Improvement 1998 4.60%	225,000	0	(30,000)	195,000
Engery Conservation Improvement 2000 6.12%	0	605,025	0	605,025
<b>Total General Obligation Bonds</b>	<b>15,661,012</b>	<b>843,523</b>	<b>(1,025,000)</b>	<b>15,479,535</b>
<i>General Obligation Long-Term Notes:</i>				
Energy Conservation Improvement 1992 5.75%	51,446	0	(17,149)	34,297
<i>State Classroom Facilities Loan:</i>				
Classroom Facilities Loan	8,149,055	0	(8,149,055)	0
<i>Capital Leases:</i>				
Kodak Copier 1995 11.15%	892	0	(892)	0
Finova Musical Instruments 1996	11,783	0	(11,783)	0
Orix Musical Instruments 1996 5.75%	12,216	0	(9,074)	3,142
National City Bank Computers 1996 6.59%	153,085	0	(106,610)	46,475
FirstMerit Computers 1997 10.00%	\$72,174	\$0	(\$30,091)	42,083
BlueBird Busses				

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

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
1998 5.54%	\$89,588	\$0	(\$20,620)	\$68,968
All Lines Leasing Various Equipment 1998	1,432	0	(1,432)	0
BlueBird Bus 1998 5.54%	62,994	0	(11,278)	51,716
Merrick Chevrolet Vans 1998 8.34%	40,115	0	(5,226)	34,889
Inter-Tel Phone Equipment 1999 10.95%	33,020	0	(8,188)	24,832
Total Capital Leases	<u>477,299</u>	<u>0</u>	<u>(205,194)</u>	<u>272,105</u>
Pension Obligation	241,674	260,302	(241,674)	260,302
Special Termination Benefits Payable	364,472	0	(294,883)	69,589
Compensated Absences	2,092,241	577,313	(213,487)	2,456,067
<i>Total General Long-Term Obligations</i>	<u><u>\$27,037,199</u></u>	<u><u>\$1,681,138</u></u>	<u><u>(\$10,146,442)</u></u>	<u><u>\$18,571,895</u></u>

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

Effective September 15, 2000, the Classroom Facilities Loan was forgiven under Section 6 of Amended Senate Bill 272. Under this section, the School District is no longer required to pay the State payments of one-half of the tax levy passed for the repayment of State funds loaned to the School District for the construction of classroom facilities. During fiscal year 2001, the School District paid \$42,390 on the loan; \$8,106,665 was completely forgiven.

The 1997 general obligation bonds include capital appreciation bonds. This year the addition on these bonds include \$238,498, which represents the accretion of discounted interest remaining in fiscal year 2001 on the capital appreciation bonds.

The School District's overall voted legal debt margin at June 30, 2001, was \$45,747,498 with an unvoted debt margin of \$355,175 at June 30, 2001. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$930,503	\$601,857	\$1,532,360
2003	965,503	557,038	1,522,541
2004	1,025,503	508,800	1,534,303
2005	1,125,503	455,962	1,581,465
2006	1,195,503	398,366	1,593,869
2007-2011	1,392,510	1,557,316	2,949,826
2012-2016	6,954,510	4,169,968	11,124,478
2017-2018	1,890,000	112,320	2,002,320
Total	<u><u>\$15,479,535</u></u>	<u><u>\$8,361,627</u></u>	<u><u>\$23,841,162</u></u>

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

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**Note 17 - Fund Obligations**

The School District's note and loan activity for the fiscal year ended June 30, 2001, was as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
<u>General Fund</u>				
Tax Anticipation Note				
1999 5.50%	\$1,900,000	\$0	\$340,000	\$1,560,000
School Solvency Assistance Loan				
1999 0.00%	1,078,500	0	1,078,500	0
Total Short Term Obligations	<u>\$2,978,500</u>	<u>\$0</u>	<u>\$1,418,500</u>	<u>\$1,560,000</u>

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

**Note 18 - Jointly Governed Organizations**

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

The Lake Erie Education Computer Association (LEECA) is a jointly governed organization among thirty School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. The Olmsted Falls City School District paid \$22,353 to LEECA in fiscal year 2001. Each School district supports LEECA based on a per pupil charge dependent upon the software packages used. Financial information can be obtained by contacting the Treasurer at the Lorain County Educational Service Center, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

***B. Ohio Schools Council***

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2001, 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 Rd., Suite 10, Independence, Ohio 44131.

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

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

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

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

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

***C. Polaris Career Center***

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

**Note 19 - Insurance Purchasing Pool**

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

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

**Note 20 - Segment Information for Enterprise Funds**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supply sales. The table below reflects the more significant financial data relating to the enterprise funds of the Olmsted Falls City School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Totals
Operating Revenues	\$710,558	\$107,814	\$818,372
Depreciation Expense	26,945	0	26,945
Operating Income (Loss)	(205,112)	5,644	(199,468)
Donated Commodities	48,479	0	48,479
Operating Grants	113,897	0	113,897
Net Income (Loss)	(39,275)	5,644	(33,631)
Net Working Capital	52,011	30,671	82,682
Total Assets	320,534	39,160	359,694
Total Equity	224,279	30,671	254,950
Encumbrances Outstanding at June 30, 2001	476	9,382	9,858

**Note 21 - Set Asides**

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

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks and Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2000	\$106,632	\$0	(\$279,715)
Current Year Set-aside Requirement	176,889	530,667	530,667
Offsets	0	(117,093)	0
Reduction Based upon Current Legislation	(176,889)	0	0
Qualifying Disbursements	0	(799,718)	(345,632)
Totals	\$106,632	(\$386,144)	(\$94,680)
Set-aside Reserve Balance as of June 30, 2001	\$106,632	\$0	\$0

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

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The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$106,632.

## **Note 22 - Contingencies**

### **A. Grants**

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

### **B. Litigation**

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

## **Note 23 -Subsequent Event**

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**Schedule of Federal Awards Expenditures  
for the year ended June 30, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U. S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution	NA	10.550	\$0	\$43,556	\$0	\$43,413
National School Breakfast Program	046573 05-PU-01	10.553	7,808	0	7,808	0
	046573 05-PU-00		488	0	488	0
National School Lunch Program	46573 LL-P1/P4-01	10.555	90,019	0	90,019	0
	046573 LL-P1/P4-00		15,582	0	15,582	0
Total U. S. Department of Agriculture - Nutrition Cluster			<b>113,897</b>	<b>43,556</b>	<b>113,897</b>	<b>43,413</b>
<b>U. S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	046573 6B-SF-01	84.027	178,846	0	139,471	0
	046573 6B-SF-00		0	0	10,198	0
Special Education - Pre-School Grants	046573 PG-S1-01	84.173	18,799	0	15,420	0
	046573 PG-S1-00		0	0	2,805	0
Total Special Education Cluster			197,645	0	167,894	0
Grants to Local Educational Agencies (ESEA Title I)						
	046573 C1-S1-01	84.010	50,083	0	44,794	0
	046573 C1-S1-00		1,535	0	7,784	0
Subtotal			51,618	0	52,578	0
Innovative Educ. Program Strategies						
	046573 C2-S1-01	84.298	15,857	0	12,194	0
	046573 C2-S1-00		11,224		15,041	
	046573 C2-S1-99		0	0	2,035	0
Subtotal			27,081	0	29,270	0
Eisenhower Professional Development						
	046573 MS-S1-01	84.281	7,933	0	6,462	0
	046573 MS-S1-00		0	0	8,053	0
	046573 MS-S1-99		0	0	5,187	0
			7,933	0	19,702	0
Drug Free Schools Grant						
	046573 DR-S1-01	84.186	8,569	0	8,510	0
	046573 DR-S1-00		8,793	0	7,581	0
	046573 DR-S1-99		9,138	0	7,364	0
	046573 DR-S1-98		(4,698)	0	0	0
Subtotal			21,802	0	23,455	0
Title VI-R - Class Size Reduction						
	046573 CR-S1-01	84.340	25,781	0	24,294	0
	046573 CR-S1-00		0	0	9,772	0
Subtotal			25,781	0	34,066	0
Total U. S. Department of Education			<b>331,860</b>	<b>0</b>	<b>326,965</b>	<b>0</b>
Total Federal Assistance			<b>\$445,757</b>	<b>\$43,556</b>	<b>\$440,862</b>	<b>\$43,413</b>

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

**Olmsted Falls City School District**  
**Cuyahoga County**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended June 30, 2001*

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2001, the District had no significant food commodities in inventory.

**NOTE C - NATIONAL SCHOOL LUNCH PROGRAM**

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

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Board of Education  
Olmsted Falls City School District  
Cuyahoga County  
26937 Bagley Road  
Olmsted Falls, Ohio 44138

We have audited the financial statements of the Olmsted Falls City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 20, 2001. 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 an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 20, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 20, 2001.

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

**Jim Petro**  
Auditor of State

November 20, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Board of Education  
Olmsted Falls City School District  
Cuyahoga County  
26937 Bagley Road  
Olmsted Falls, Ohio 44138

**Compliance**

We have audited the compliance of the Olmsted Falls City School District, Cuyahoga County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

### **Internal Control Over Compliance - Continued**

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

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

**Jim Petro**  
Auditor of State

November 20, 2001

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

**OLMSTED FALLS CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY**  
**JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

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

None







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**OLMSTED FALLS CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2001**