

SOLON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2005

SOLON COMMUNITY SCHOOL DISTRICT

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SOLON COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Dick Schwab	Board President	2005
Joel Miller	Board Member	2004
Robert Upmeyer	Board Member	2004
Pat Smith	Board Member	2006
Ben Pardini	Board Member	2006
(After September 2004 Election)		
Dick Schwab	Board President	2005
Pat Smith	Board Member	2006
Ben Pardini	Board Member	2006
Joel Miller	Board Member	2007
Robert Upmeyer	Board Member	2007
School Officials		
Brad Manard	Superintendent	2005
Pat Moore	District Secretary/Treasurer	2005
C. Joseph Holland	Attorney	2005

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Solon Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Solon Community School District, Solon, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Solon Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 18, 2005 on my consideration of Solon Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 44 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Solon Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC
October 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Solon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased 4.3% from \$7,988,402 in fiscal 2004 to \$8,332,413 in fiscal 2005 and General Fund expenditures increased 3.7% from \$7,902,295 in fiscal 2004 to \$8,207,437 in fiscal 2005. The District's General Fund balance increased slightly from \$1,019,671 in fiscal 2004 to \$1,035,186 in fiscal 2005, a 2% increase.
- The increase in General Fund revenues was attributable to an increase in the following areas: ISL surtaxes, transportation fees, personal/group donations, Section 8002 Impact Aid, IDEA – Part B funding and Medicaid reimbursement. The increase in expenditures was due to increase in the following areas: special education, electricity, gasoline and diesel fuel, vehicle repairs, sub teachers and post secondary education costs. An additional expense added to the General Fund for Fiscal Year 04 were the boys and girls athletic officials and their mileage. This change was made to alleviate the strain on the all athletics in the activity fund. The difference between the increase in revenue and increase in expenditures produced a slight increase in the general fund cash balance.
- Due to a decrease in interest rates, as well as less cash available for investing during the year, the interest earnings in the General Fund decreased from \$28,896 in FY 2004 to \$16,857 in FY 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Solon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Solon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Solon

Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

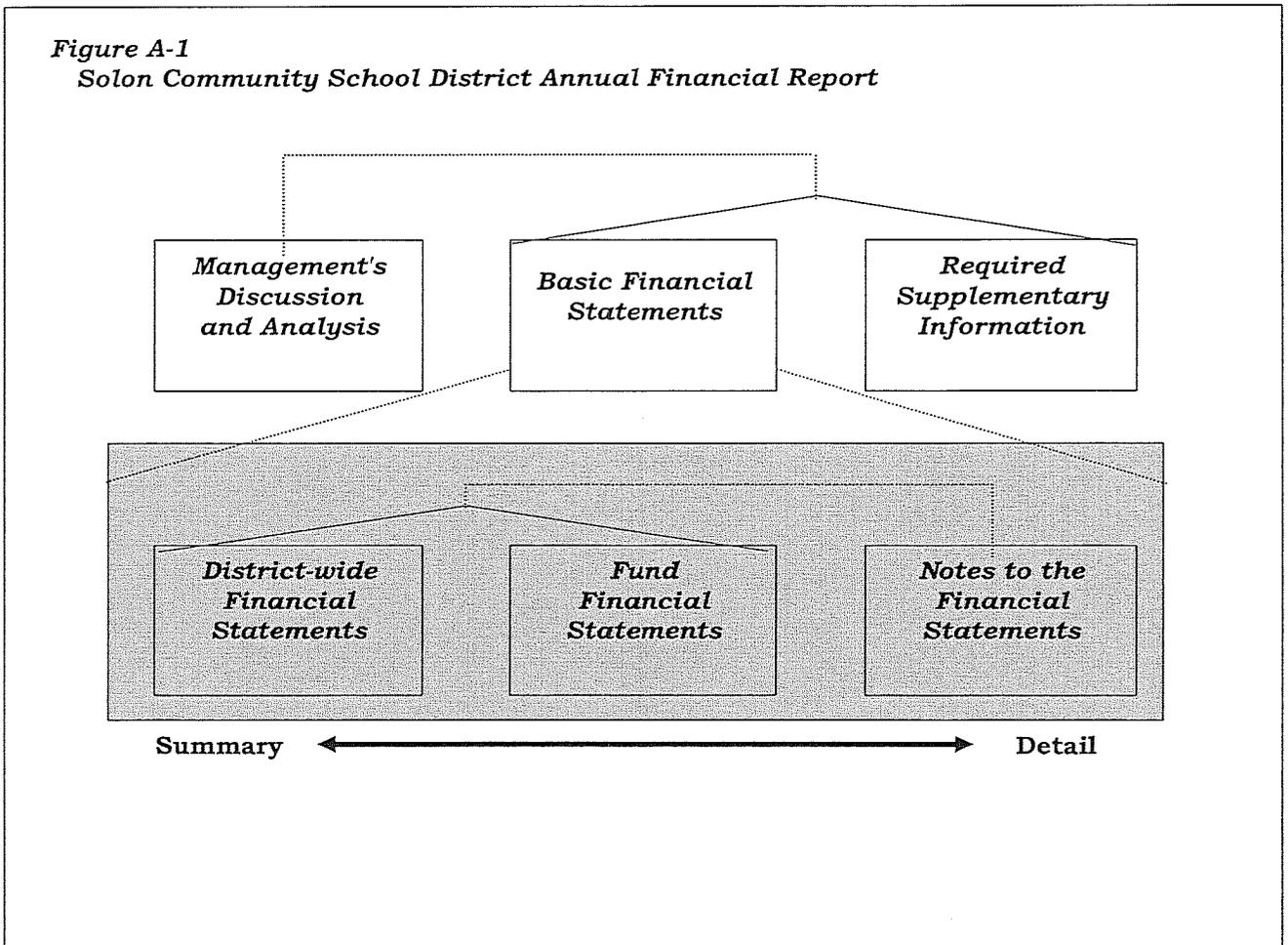


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and preschool/daycare programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Preschool/Daycare Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for the maintenance of Stone Academy and for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Current and other assets	\$ 6,592,670	\$ 6,689,012	\$ 282,439	\$ 203,610	\$ 6,875,109	\$ 6,892,622	-0.25%
Capital assets	<u>12,001,930</u>	<u>12,447,802</u>	<u>4,878</u>	<u>5,720</u>	<u>12,006,808</u>	<u>12,453,522</u>	-3.59%
Total assets	<u>18,594,600</u>	<u>19,136,814</u>	<u>287,317</u>	<u>209,330</u>	<u>18,881,917</u>	<u>19,346,144</u>	-2.40%
Long-term obligations	9,241,074	9,553,358	-	-	9,241,074	9,553,358	0.00%
Other liabilities	<u>5,305,030</u>	<u>5,443,755</u>	<u>6,401</u>	<u>7,161</u>	<u>5,311,431</u>	<u>5,450,916</u>	-2.56%
Total liabilities	<u>14,546,104</u>	<u>14,997,113</u>	<u>6,401</u>	<u>7,161</u>	<u>14,552,505</u>	<u>15,004,274</u>	-3.01%
Net assets							
Invested in capital assets, net of related debt	3,121,930	3,044,717	4,878	5,720	3,126,808	3,050,437	2.50%
Restricted	172,115	175,300	-	-	172,115	175,300	-1.82%
Unrestricted	<u>754,451</u>	<u>919,684</u>	<u>276,038</u>	<u>196,449</u>	<u>1,030,489</u>	<u>1,116,133</u>	-7.67%
Total net assets	<u>\$ 4,048,496</u>	<u>\$ 4,139,701</u>	<u>\$ 280,916</u>	<u>\$ 202,169</u>	<u>\$ 4,329,412</u>	<u>\$ 4,341,870</u>	-0.29%

The District's combined net assets decreased by approximately .3%, or \$12,458, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$3,185, or 1.8% from the prior year. This decrease was a result of a decrease in monies to be used for specific state programs, instructional support levy and debt service.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$85,644, or approximately 8%. This reduction in unrestricted net assets was a result of the District using carryover fund balance as well as the cash reserve funds to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 828,798	\$ 853,769	\$ 681,897	\$ 690,052	\$ 1,510,695	\$ 1,543,821
Operating grants, contributions and restricted interest	764,785	737,850	62,093	58,935	826,878	796,785
Capital grants, contributions and restricted interest	28,585	22,511	-	-	28,585	22,511
General revenues						
Property tax	4,168,992	4,016,863	-	-	4,168,992	4,016,863
Unrestricted state grants	4,049,570	3,766,099	-	-	4,049,570	3,766,099
Unrestricted investment earnings	22,201	35,440	920	614	23,121	36,054
Contributions and donations	<u>41,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,687</u>	<u>-</u>
Total revenues	<u>9,904,618</u>	<u>9,432,532</u>	<u>744,910</u>	<u>749,601</u>	<u>10,649,528</u>	<u>10,182,133</u>
Program expenses						
Governmental activities						
Instruction	5,608,379	5,124,103	-	-	5,608,379	5,124,103
Support services	3,172,248	2,857,183	-	-	3,172,248	2,857,183
Non-instructional programs	8,719	8,600	666,163	664,210	674,882	672,810
Other expenses	<u>1,206,477</u>	<u>1,210,595</u>	<u>-</u>	<u>-</u>	<u>1,206,477</u>	<u>1,210,595</u>
Total expenses	<u>9,995,823</u>	<u>9,200,481</u>	<u>666,163</u>	<u>664,210</u>	<u>10,661,986</u>	<u>9,864,691</u>
Change in net assets	<u>\$ (91,205)</u>	<u>\$ 232,051</u>	<u>\$ 78,747</u>	<u>\$ 85,391</u>	<u>\$ (12,458)</u>	<u>\$ 317,442</u>

Property tax and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,904,618 and expenses were \$9,995,823. The District was able to underspend governmental activities due to a conservative and pro-active approach to the balance between revenue and expenditures.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 5,608,379	\$ 4,362,066
Support services	3,172,248	3,117,821
Non-instructional programs	8,719	8,719
Other expenses	<u>1,206,477</u>	<u>885,049</u>
Total expenses	<u>\$ 9,995,823</u>	<u>\$ 8,373,655</u>

- The cost financed by users of the District’s programs was \$828,798.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$855,463.
- The net cost of governmental activities was financed with \$4,168,992 in property taxes and \$4,049,570 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$744,910 and expenses were \$666,163. The District’s business type activities include the School Nutrition Fund and Preschool/Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the School Nutrition Fund recognized an increased in revenues of \$93,821. This is seen in the increase in reimbursable lunch and breakfast sales, as well as a slight increase in interest on investments. The expenditures increase is shown in general supplies and groceries purchased.

INDIVIDUAL FUND ANALYSIS

As previously noted, Solon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,355,911, slightly above last year’s ending fund balances of \$1,313,187. The increase in the combined fund balance can be attributed to increased revenues within each of the governmental funds.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in surtaxes, transportation fees, donations and categorical funding attributed to an increase in revenues. The District's General Fund expenses increase was lower than the expenses increase, therefore, creating a slight increase in the General Fund fund balance at year end.
- The General Fund balance increased from \$1,019,671 to \$1,035,186, as a result of a bigger spread between current assets and liabilities. The largest asset increase was a 12% rise in cash. Although overall liabilities decrease from FY 2004 to FY 2005 there was an increase within liabilities in the area of accounts payable and payroll deductions/withholdings.
- The Debt Service Fund balance decreased slightly from \$96,388 at June 30, 2004 to \$93,642 at June 30, 2005 due to a slight decrease in cash and other current assets as well as a rise in current liabilities (accounts payable) at fiscal year end.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$202,169 at June 30, 2004 to \$280,916 at June 30, 2005, representing an increase of approximately 39%. The Nutrition Fund had a substantial increase in assets but a slight decrease in liabilities, creating an increase in Fund Balance. The Childcare/Preschool Fund had a slight increase in assets and a decrease in liabilities equating to a minimal increase in Fund Balance.

BUDGETARY HIGHLIGHTS

Solon Community School District did not amend its annual budget.

The District's receipts were \$41,218 less than budgeted receipts, a variance of less than 1%. Areas which attributed to this were less than anticipated/budgeted interest on investments in General Fund, decrease in driver education fees collection and a reduction of some federal funded programs.

Total expenditures were \$782,876 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$12,006,808, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 3.5% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$704,784.

The original cost of the District's capital assets was \$20,376,944. Governmental funds account for \$20,367,535, with the remainder of \$9,409 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

	Capital Assets, Net of Depreciation						Total Change
	Governmental Activities		Business Type Activities		Total District		
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	
Land	\$ 567,505	\$ 567,505	\$ -	\$ -	\$ 567,505	\$ 567,505	0.00%
Buildings and improvements	10,219,463	10,621,596	-	-	10,219,463	10,621,596	-3.79%
Improvements, other than buildings	150,945	152,540	-	-	150,945	152,540	-1.05%
Furniture and equipment	<u>1,064,017</u>	<u>1,106,160</u>	<u>4,878</u>	<u>5,720</u>	<u>1,068,895</u>	<u>1,111,880</u>	-3.87%
Totals	<u>\$ 12,001,930</u>	<u>\$ 12,447,801</u>	<u>\$ 4,878</u>	<u>\$ 5,720</u>	<u>\$ 12,006,808</u>	<u>\$ 12,453,521</u>	-3.59%

Long-Term Debt

At June 30, 2005, the District had \$9,241,074 in general obligation and other long-term debt outstanding. This represents a decrease of 3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In March 1997, the voters of the District authorized the issuance of \$7,600,000 in general obligation bonds to pay for building and furnishing a new high school and build and furnish a two classroom addition to and improve, remodel, repair and furnish the current high school building as a new middle school building. In November 2000, the District issued \$5,935,000 in GOB and in May 2001, issued \$1,665,000 GOB. The District had total outstanding bonded indebtedness at June 30, 2005 of \$8,575,000.

The District also had Capital Loan Notes of \$305,000 and early retirement obligations of \$361,074 at fiscal year end 2005.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total Change
	School District		
	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
General obligation bonds	\$ 8,575,000	\$8,925,000	-3.92%
Capital leases	-	103,085	-100.00%
Capital loan notes	305,000	375,000	-18.67%
Early retirement	<u>361,074</u>	<u>150,273</u>	140.28%
Total	<u>\$ 9,241,074</u>	<u>\$9,553,358</u>	-3.27%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several possible upcoming circumstances that could significantly affect its financial health in the future:

- The Solon School Board will be placing the issue of extending the current Voter-Approved PPEL levy from the current .67 per \$1,000 taxable valuation to the maximum of \$1.34 per \$1,000 of taxable valuation on the September 2005 school board election ballot. This would increase the revenues of the PPEL fund as well as the expenditures. Along the same lines, the District will also be asking the Voters of the District to extend the current instructional support levy for another 10 years at the following years election. The impact of the instructional support levy not being renewed for another 10 years would be a substantial decrease in revenues of \$470,704 (based on budget year 2005-06 figures). In September 2005 the PPEL extension vote passed and the District will begin the new taxing authority for the 2006-2007 budgeting process.
- The enrollment has been on an upward trend over the past three years. The September 2004 certified enrollment count rose by 14.3 students over the September 2003 certified enrollment count. The increase in enrollment, as well as students open enrolling into the District, places the potential need for increased staffing. Although the student enrollment is increasing, which also creates an increase in funding; the funding is not currently sufficient to cover the additional needs. Along these same lines, the District also realized as student enrollment continues to grow our facilities/buildings will also need to accommodate the increase. The District will continue to discuss expansion areas and funding sources.
- The District recognized a negative special education balance at the end of FY 2005. This means that funding/revenues were not sufficient to cover program expenses during the year. The additional expenses are partially funded through the District's cash reserve levy as well as any unreserved cash during the year.
- The District budgeted \$187,500 for Cash Reserve. This money is meant to be used to help fund the District's unspent balance. At the current time, as well as in past years, the Cash Reserve has been used as actual revenue rather than being used to help fund an increasing Unspent Balance.
- As the interest rates have continued to stay lower than in previous years, the District will continue to monitor the impact (i.e. savings) this could have on the Debt Service Fund and the current general obligation bonds outstanding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pat Moore, District Secretary/Treasurer and Business Manager, Solon Community School District, 301 S Iowa St, Solon, Iowa, 52333.

Basic Financial Statements

SOLON COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents			
ISCAP	\$ 1,163,572	\$ -	\$ 1,163,572
Other	1,457,090	277,501	1,734,591
Receivables			
Property tax			
Delinquent	17,079	-	17,079
Succeeding year	3,848,377	-	3,848,377
Accounts receivable	90,317	1,826	92,143
Accrued interest			
ISCAP	5,090	-	5,090
Due from other funds	450	-	450
Due from other governments	10,695	-	10,695
Inventories	-	3,112	3,112
Capital assets, net of accumulated depreciation	12,001,930	4,878	12,006,808
Total assets	18,594,600	287,317	18,881,917
LIABILITIES			
Accounts payable	63,321	296	63,617
Salaries and benefits payable	147,873	5,655	153,528
Accrued interest payable	68,271	-	68,271
Deferred revenue - succeeding year property tax	3,848,377	-	3,848,377
Due to other funds	-	450	450
ISCAP warrants payable	1,159,000	-	1,159,000
ISCAP accrued interest payable	5,355	-	5,355
ISCAP unamortized premium	12,833	-	12,833
Long-term liabilities			
Portion due within one year			
Capital loan notes payable	70,000	-	70,000
Bonds payable	360,000	-	360,000
Early retirement	209,941	-	209,941
Portion due after one year			
Capital loan notes payable	235,000	-	235,000
Bonds payable	8,215,000	-	8,215,000
Early retirement	151,133	-	151,133
Total liabilities	14,546,104	6,401	14,552,505

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Net Assets
 June 30, 2005

Exhibit A

	<u>Governmental</u> <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,121,930	\$ 4,878	\$ 3,126,808
Restricted for			
Iowa Early Intervention Program	5,394	-	5,394
Physical plant and equipment levy	77,166	-	77,166
Other special revenue purposes	64,184	-	64,184
Debt service	25,371	-	25,371
Unrestricted	<u>754,451</u>	<u>276,038</u>	<u>1,030,489</u>
 Total net assets	 <u>\$ 4,048,496</u>	 <u>\$ 280,916</u>	 <u>\$ 4,329,412</u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental activities							
Instruction							
Regular instruction	\$ 3,756,420	\$ 383,834	\$ 320,177	\$ -	\$ (3,052,409)	\$ -	\$ (3,052,409)
Special instruction	942,604	127,500	96,046	-	(719,058)	-	(719,058)
Other instruction	909,355	293,850	24,906	-	(590,599)	-	(590,599)
	<u>5,608,379</u>	<u>805,184</u>	<u>441,129</u>	<u>-</u>	<u>(4,362,066)</u>	<u>-</u>	<u>(4,362,066)</u>
Support services							
Student services	136,703	-	-	-	(136,703)	-	(136,703)
Instructional staff services	589,443	-	-	-	(589,443)	-	(589,443)
Administration services	958,571	-	-	-	(958,571)	-	(958,571)
Operation and maintenance of plant services	1,086,264	203	-	28,585	(1,057,476)	-	(1,057,476)
Transportation services	401,267	23,411	2,228	-	(375,628)	-	(375,628)
	<u>3,172,248</u>	<u>23,614</u>	<u>2,228</u>	<u>28,585</u>	<u>(3,117,821)</u>	<u>-</u>	<u>(3,117,821)</u>
Non-instructional programs	8,719	-	-	-	(8,719)	-	(8,719)
Other expenditures							
Long-term debt interest	476,916	-	-	-	(476,916)	-	(476,916)
AEA flowthrough	321,428	-	321,428	-	-	-	-
Depreciation (unallocated) *	408,133	-	-	-	(408,133)	-	(408,133)
	<u>1,206,477</u>	<u>-</u>	<u>321,428</u>	<u>-</u>	<u>(885,049)</u>	<u>-</u>	<u>(885,049)</u>
Total governmental activities	<u>9,995,823</u>	<u>828,798</u>	<u>764,785</u>	<u>28,585</u>	<u>(8,373,655)</u>	<u>-</u>	<u>(8,373,655)</u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2005

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Business type activities						
Non-instructional programs						
Nutrition services	\$ 362,177	\$ 377,606	\$ -	\$ -	\$ 77,522	\$ 77,522
Preschool/daycare program	303,986	304,291	-	-	305	305
Total business type activities	<u>666,163</u>	<u>681,897</u>	<u>-</u>	<u>-</u>	<u>77,827</u>	<u>77,827</u>
Total	<u>\$10,661,986</u>	<u>\$1,510,695</u>	<u>\$ 28,585</u>	<u>(8,373,655)</u>	<u>77,827</u>	<u>(8,295,828)</u>
General Revenues						
Property tax levied for						
General purposes				3,139,801	-	3,139,801
Capital outlay				227,320	-	227,320
Debt service				801,871	-	801,871
Unrestricted state grants				4,049,570	-	4,049,570
Contributions and donations				41,687	-	41,687
Unrestricted investment earnings				22,201	920	23,121
Total general revenues				<u>8,282,450</u>	<u>920</u>	<u>8,283,370</u>
Change in net assets				(91,205)	78,747	(12,458)
Net assets, beginning of year				4,139,701	202,169	4,341,870
Net assets, end of year				<u>\$ 4,048,496</u>	<u>\$280,916</u>	<u>\$ 4,329,412</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Balance Sheet
 Governmental Funds
 June 30, 2005

Exhibit C

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and pooled investments				
ISCAP	\$ 1,163,572	\$ -	\$ -	\$ 1,163,572
Other	1,143,042	90,213	223,835	1,457,090
Receivables				
Property tax				
Delinquent	11,500	3,579	2,000	17,079
Succeeding year	2,532,765	800,303	515,309	3,848,377
Accounts receivable	86,131	-	4,186	90,317
Accrued interest - ISCAP	5,090	-	-	5,090
Due from other funds	450	-	-	450
Due from other governments	10,695	-	-	10,695
Total assets and other debits	<u>\$ 4,953,245</u>	<u>\$ 894,095</u>	<u>\$ 745,330</u>	<u>\$ 6,592,670</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 60,233	\$ 150	\$ 2,938	\$ 63,321
Salaries and benefits payable	147,873	-	-	147,873
ISCAP warrants payable	1,159,000	-	-	1,159,000
ISCAP accrued interest payable	5,355	-	-	5,355
ISCAP unamortized premium	12,833	-	-	12,833
Deferred revenue				
Succeeding year property tax	<u>2,532,765</u>	<u>800,303</u>	<u>515,309</u>	<u>3,848,377</u>
Total liabilities	<u>3,918,059</u>	<u>800,453</u>	<u>518,247</u>	<u>5,236,759</u>
Fund balances				
Reserved for				
Iowa Early Intervention Program	5,394	-	-	5,394
Debt service	-	93,642	-	93,642
Designated for special purpose	-	-	227,083	227,083
Unreserved, undesignated	<u>1,029,792</u>	<u>-</u>	<u>-</u>	<u>1,029,792</u>
Total fund balances	<u>1,035,186</u>	<u>93,642</u>	<u>227,083</u>	<u>1,355,911</u>
Total liabilities and fund balances	<u>\$ 4,953,245</u>	<u>\$ 894,095</u>	<u>\$ 745,330</u>	<u>\$ 6,592,670</u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2005

Exhibit D

Total fund balances of governmental funds	\$ 1,355,911
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,001,930
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(68,271)
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,241,074)</u>
Net assets of governmental activities	<u>\$ 4,048,496</u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 2,919,780	\$ 801,871	\$ 447,341	\$ 4,168,992
Tuition	414,282	-	-	414,282
Other	155,411	2,747	320,247	478,405
State sources	4,681,941	-	-	4,681,941
Federal sources	160,999	-	-	160,999
Total revenues	<u>8,332,413</u>	<u>804,618</u>	<u>767,588</u>	<u>9,904,619</u>
Expenditures				
Current				
Instruction				
Regular instruction	3,472,420	-	49,955	3,522,375
Special instruction	968,611	-	-	968,611
Other instruction	589,696	-	292,516	882,212
	<u>5,030,727</u>	<u>-</u>	<u>342,471</u>	<u>5,373,198</u>
Support services				
Student services	133,370	-	-	133,370
Instructional staff services	447,150	-	24,110	471,260
Administration services	950,958	-	-	950,958
Operation and maintenance of plant services	925,230	-	270,819	1,196,049
Transportation services	398,574	-	15,519	414,093
	<u>2,855,282</u>	<u>-</u>	<u>310,448</u>	<u>3,165,730</u>
Non-instructional programs	-	-	1,879	1,879
Other expenditures				
Long-term debt				
Principal	-	523,085	-	523,085
Interest and fiscal charges	-	476,575	-	476,575
AEA flowthrough	321,428	-	-	321,428
	<u>321,428</u>	<u>999,660</u>	<u>-</u>	<u>1,321,088</u>
Total expenditures	<u>8,207,437</u>	<u>999,660</u>	<u>654,798</u>	<u>9,861,895</u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 124,976	\$ (195,042)	\$ 112,790	\$ 42,724
Other financing sources (uses) Interfund operating transfers in (out)	<u>(109,461)</u>	<u>192,296</u>	<u>(82,835)</u>	<u>-</u>
Net change in fund balances	15,515	(2,746)	29,955	42,724
Fund balance, beginning of year	<u>1,019,671</u>	<u>96,388</u>	<u>197,128</u>	<u>1,313,187</u>
Fund balance, end of year	<u>\$ 1,035,186</u>	<u>\$ 93,642</u>	<u>\$ 227,083</u>	<u>\$ 1,355,911</u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances-Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit F

Net change in fund balances - total governmental funds \$ 42,724

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 297,587	
Depreciation expense	<u>(743,458)</u>	(445,871)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 523,085

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(210,801)
------------------	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (342)

Change in net assets of governmental activities \$ (91,205)

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Net Assets
 Proprietary Funds
 June 30, 2005

Exhibit G

	Nonmajor Enterprise Funds <hr style="border: 0.5px solid black;"/>
ASSETS	
Cash and pooled investments	\$ 277,501
Accounts receivable	1,826
Inventories	3,112
Capital assets, net of accumulated depreciation	<u>4,878</u>
Total assets	<u>287,317</u>
LIABILITIES	
Accounts payable	296
Salaries and benefits payable	5,655
Due to other funds	<u>450</u>
Total liabilities	<u>6,401</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,878
Unreserved retained earnings	<u>276,038</u>
Total net assets	<u><u>\$ 280,916</u></u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2005

Exhibit H

	Nonmajor Enterprise Funds
Operating revenue	
Local sources	
Charges for service	<u>\$ 681,897</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries	127,759
Benefits	44,123
Purchased services	3,924
Supplies	185,079
Miscellaneous	450
Depreciation	842
	<u>362,177</u>
Preschool/daycare operations	
Salaries	171,566
Benefits	44,629
Purchased services	31,034
Supplies	55,757
Equipment repairs	916
Miscellaneous	84
	<u>303,986</u>
Total operating expenses	<u>666,163</u>
Operating income	<u>15,734</u>
Non-operating revenue	
Interest income	920
State sources	4,633
Federal sources	57,460
Total non-operating revenue	<u>63,013</u>
Change in net assets	78,747
Net assets, beginning of year	<u>202,169</u>
Net assets, end of year	<u><u>\$ 280,916</u></u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2005

Exhibit I

	Nonmajor Enterprise Funds
Cash flows from operating activities	
Cash received from sale of meals	\$ 377,392
Cash received from sale of services	304,836
Cash payments to employees for services	(389,133)
Cash payments to suppliers for goods and services	<u>(268,362)</u>
Net cash provided by operating activities	<u>24,733</u>
Cash flows from non-capital financing activities	
State grants received	4,633
Federal grants received	<u>53,244</u>
Net cash provided by non-capital financing activities	<u>57,877</u>
Cash flows from investing activities	
Interest on investments	<u>920</u>
Net increase in cash and cash equivalents	83,530
Cash and cash equivalents, beginning of year	<u>193,971</u>
Cash and cash equivalents, end of year	<u>\$ 277,501</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 15,734
Adjustments to reconcile operating income to net cash provided by operating activities	
Commodities used	9,270
Depreciation	842
Decrease in accounts receivable	331
(Increase) in inventories	(684)
Increase in accounts payable	296
Increase in salaries and benefits payable	2,822
(Decrease) in due to other fund	<u>(3,878)</u>
Net cash provided by operating activities	<u>\$ 24,733</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2005, the District received \$9,270 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2005

Exhibit J

	<u>Private Purpose Trust Stone Academy</u>
Assets	
Cash and pooled investments	\$ 2,716
Liabilities	<u>-</u>
Net assets	
Unreserved	<u>\$ 2,716</u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Fund
 For the Year Ended June 30, 2005

Exhibit K

	<u>Private Purpose Trust Stone Academy</u>
Additions	
Local sources	
Donations	\$ 190
Deductions	
Non-instructional programs	
Supplies	<u>442</u>
Change in net assets	(252)
Net assets, beginning of year	<u>2,968</u>
Net assets, end of year	<u>\$ 2,716</u>

See notes to financial statements and Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

Note 1. Summary of Significant Accounting Policies

The Solon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the City of Solon, Iowa, and the agricultural territory in Johnson and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Solon Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Solon Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds. However, it reports two nonmajor proprietary, enterprise funds. The School Nutrition Fund is used to account for the food service operations of the district and the Preschool/Daycare Fund is used to account for the preschool and daycare operations of the district.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to maintain the Stone Academy and to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales

and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$2,500
Buildings	\$2,500
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2005. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Designated Fund Balance - The District has designated a portion of its fund balance for specific programs.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures did not exceed the amounts budgeted nor did the District exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

Investment rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise Fund, School Nutrition	\$ 450

The School Nutrition Fund is repaying the General Fund for salaries and benefits paid. This amount will be repaid during the year ending June 30, 2006.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 109,461
Debt Service	Physical Plant and Equipment Levy	<u>82,835</u>
Totals		<u>\$ 192,296</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2004-05B	1/28/05	1/27/05	\$ 366,055	\$ 4,959	\$ 365,000	\$ 5,355	\$ 2,170
2005-06A	6/30/05	6/30/06	<u>797,517</u>	<u>131</u>	<u>794,000</u>	<u>-</u>	<u>10,663</u>
			<u>\$ 1,163,572</u>	<u>\$ 5,090</u>	<u>\$ 1,159,000</u>	<u>\$ 5,355</u>	<u>\$ 12,833</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity for the year ended June 30, 2005.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.4630%
2004-05B	3.500%	2.2800%
2005-06A	3.500%	3.9030%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	<u>\$ 567,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 567,505</u>
Capital assets being depreciated:				
Buildings and improvements	16,377,740	6,000	-	16,383,740
Improvements other than buildings	399,441	17,300	-	416,741
Furniture and equipment	<u>2,810,495</u>	<u>274,287</u>	<u>(85,233)</u>	<u>2,999,549</u>
Total capital assets being depreciated	<u>19,587,676</u>	<u>297,587</u>	<u>(85,233)</u>	<u>19,800,030</u>
Less accumulated depreciation for:				
Buildings and improvements	5,756,144	408,133	-	6,164,277
Improvements other than buildings	246,901	18,895	-	265,796
Furniture and equipment	<u>1,704,335</u>	<u>316,430</u>	<u>(85,233)</u>	<u>1,935,532</u>
Total accumulated depreciation	<u>7,707,380</u>	<u>743,458</u>	<u>(85,233)</u>	<u>8,365,605</u>
Total capital assets being depreciated, net	<u>11,880,296</u>	<u>(445,871)</u>	<u>-</u>	<u>11,434,425</u>
Governmental activities capital assets, net	<u>\$ 12,447,801</u>	<u>\$(445,871)</u>	<u>\$ -</u>	<u>\$ 12,001,930</u>

Business type activities

Furniture and equipment	\$ 9,409	\$ -	\$ -	\$ 9,409
Less accumulated depreciation	<u>3,689</u>	<u>842</u>	<u>-</u>	<u>4,531</u>
Business type activities capital assets, net	<u>\$ 5,720</u>	<u>\$ (842)</u>	<u>\$ -</u>	<u>\$ 4,878</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 65,756
Special	8,289
Other	27,143
Support services	
Student	3,333
Instructional staff	134,606
Administration	12,018
Operation and maintenance of plant	10,625
Transportation	64,836
Non-instructional programs	8,719
Unallocated depreciation	<u>408,133</u>
Total governmental activities depreciation expense	<u>\$ 743,458</u>

Business-type activities

Food services	<u>\$ 842</u>
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Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 8,925,000	\$ -	\$(350,000)	\$ 8,575,000	\$ 360,000
Capital leases	103,085	-	(103,085)	-	-
Capital loan notes payable	375,000	-	(70,000)	305,000	70,000
Early retirement	<u>150,273</u>	<u>302,264</u>	<u>(91,463)</u>	<u>361,074</u>	<u>209,941</u>
Totals	<u>\$ 9,553,358</u>	<u>\$ 302,264</u>	<u>\$(614,548)</u>	<u>\$ 9,241,074</u>	<u>\$ 639,941</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education.

An employee who is granted voluntary early retirement benefits will be paid an amount equal to a percentage of their salary from the negotiated salary schedule between the District and the Solon Education Association in the last year of employment (exclusive of any extra-duty pay, extended contract pay and fringe benefits). Administrators shall be placed on the lane and step as if their years of experience were as teachers of the District. The percentage shall be calculated as four and two-tenths percent (4.2%) of the salary multiplied by the number of years of service as a professional licensed employee on a regular contract in the District. However, the maximum voluntary early retirement benefit shall be equal to the employee's salary from the salary schedule, exclusive of any extra-duty, extended contract pay and fringe benefits. Part-time employees shall receive a pro rata amount equal to the employee's full-time equivalency during the last year of employment. Early retirement expenditures for the year ended June 30, 2005 totaled \$91,463.

Capital Loan Notes

On June 1, 2003, the District issued Capital Loan Notes in the amount of \$500,000 for purchasing and implementing energy conservation measures to the buildings. The notes bear interest at varying rates and are scheduled to be repaid as follows:

Year Ending			
June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 70,000	\$ 10,840	\$ 80,840
2007	75,000	8,670	83,670
2008	80,000	6,120	86,120
2009	<u>80,000</u>	<u>3,120</u>	<u>83,120</u>
Totals	<u>\$ 305,000</u>	<u>\$ 28,750</u>	<u>\$ 333,750</u>

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	3-1-97 Issue			11-1-00 Issue		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2006	4.80	\$ 205,000	\$ 70,385	4.75	\$ 155,000	\$ 285,768
2007	4.90	215,000	60,545	4.75	160,000	278,405
2008	5.00	230,000	50,010	4.80	170,000	270,805
2009	5.10	235,000	38,510	4.85	175,000	262,645
2010	5.15	250,000	26,525	4.90	185,000	254,158
2011	5.20	260,000	13,650	4.95	195,000	245,093
2012		-	-	5.00	385,000	230,738
2013		-	-	5.10	410,000	211,285
2014		-	-	5.20	435,000	190,093
2015		-	-	5.25	465,000	167,190
2016		-	-	5.30	490,000	142,573
2017		-	-	5.35	520,000	116,265
2018		-	-	5.40	555,000	87,974
2019		-	-	5.40	590,000	57,668
2020		-	-	5.45	620,000	25,403
2020		-	-		-	-
Totals		<u>\$ 1,395,000</u>	<u>\$ 259,625</u>		<u>\$ 5,510,000</u>	<u>\$ 2,826,063</u>

Year Ending June 30,	5-1-01 Issue		Total		
	Interest Rates	Principal	Interest	Principal	Interest
2006		\$ -	\$ 83,250	\$ 360,000	\$ 439,403
2007		-	83,250	375,000	422,200
2008		-	83,250	400,000	404,065
2009		-	83,250	410,000	384,405
2010		-	83,250	435,000	363,933
2011		-	83,250	455,000	341,993
2012	5.00	100,000	83,250	485,000	313,988
2013	5.00	100,000	78,250	510,000	289,535
2014	5.00	100,000	73,250	535,000	263,343
2015	5.00	100,000	68,250	565,000	235,440
2016	5.00	100,000	63,250	590,000	205,823
2017	5.00	100,000	58,250	620,000	174,515
2018	5.00	100,000	53,250	655,000	141,224
2019	5.00	100,000	48,250	690,000	105,918
2020	5.00	100,000	43,250	720,000	68,653
2021	5.00	<u>765,000</u>	<u>38,250</u>	<u>765,000</u>	<u>38,250</u>
Totals		<u>\$ 1,665,000</u>	<u>\$ 1,107,000</u>	<u>\$ 8,570,000</u>	<u>\$ 4,192,688</u>

The bond issue of November 1, 1979 is fully retired except for one bond for \$10,000 which was due on June 1, 1999 and two interest coupons for \$1,350, which have not been submitted for redemption. Attempts to identify the holder of the bond have been unsuccessful. The District will annually budget for the payment of this bond and its interest, based on the premise that redemption could occur in any fiscal year.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$288,411, \$273,904 and \$253,769 respectively, equal to the required contributions for each year.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$321,428 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Deficit Balance

The District had two Special Revenue Fund, Student Activity Accounts with negative balances at June 30, 2005.

Required Supplementary Information

SOLON COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Funds
Required Supplementary Information
For the Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues						
Local sources	\$ 5,061,679	\$ 682,817	\$ 5,744,496	\$ 5,799,488	\$ 5,799,488	\$ (54,992)
State sources	4,681,941	4,633	4,686,574	4,718,037	4,718,037	(31,463)
Federal sources	160,999	57,460	218,459	173,222	173,222	45,237
Total revenues	<u>9,904,619</u>	<u>744,910</u>	<u>10,649,529</u>	<u>10,690,747</u>	<u>10,690,747</u>	<u>(41,218)</u>
Expenditures						
Instruction	5,373,198	-	5,373,198	5,735,000	5,735,000	361,802
Support services	3,165,730	-	3,165,730	3,451,500	3,451,500	285,770
Non-instructional programs	1,879	666,163	668,042	782,500	782,500	114,458
Other expenditures	1,321,088	-	1,321,088	1,341,934	1,341,934	20,846
Total expenditures	<u>9,861,895</u>	<u>666,163</u>	<u>10,528,058</u>	<u>11,310,934</u>	<u>11,310,934</u>	<u>782,876</u>
Excess (deficiency) of revenues over (under) expenditures	42,724	78,747	121,471	(620,187)	(620,187)	741,658
Balance, beginning of year	<u>1,313,187</u>	<u>202,169</u>	<u>1,515,356</u>	<u>1,107,103</u>	<u>1,107,103</u>	<u>408,253</u>
Balance, end of year	<u>\$ 1,355,911</u>	<u>\$ 280,916</u>	<u>\$ 1,636,827</u>	<u>\$ 486,916</u>	<u>\$ 486,916</u>	<u>\$ 1,149,911</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2005, District expenditures did not exceed the amounts budgeted in any of the four functions or the General fund unspent authorized budget.

Other Supplementary Information

SOLON COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

Schedule 1

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Pland and Equipment <u>Levy</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 84,748	\$ 61,491	\$ 77,596	\$ 223,835
Receivables				
Property tax				
Delinquent	985	-	1,015	2,000
Succeeding year	286,000	-	229,309	515,309
Accounts receivable	-	4,186	-	4,186
Total assets	<u>\$371,733</u>	<u>\$ 65,677</u>	<u>\$ 307,920</u>	<u>\$ 745,330</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ -	\$ 1,493	\$ 1,445	\$ 2,938
Deferred revenue				
Succeeding year property tax	<u>286,000</u>	<u>-</u>	<u>229,309</u>	<u>515,309</u>
Total liabilities	286,000	1,493	230,754	518,247
Fund equity				
Unreserved fund balances	<u>85,733</u>	<u>64,184</u>	<u>77,166</u>	<u>227,083</u>
Total liabilities and fund equity	<u>\$371,733</u>	<u>\$ 65,677</u>	<u>\$ 307,920</u>	<u>\$ 745,330</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2005

Schedule 2

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ 220,021	\$ -	\$ 227,320	\$ 447,341
Other	<u>1,628</u>	<u>294,718</u>	<u>23,901</u>	<u>320,247</u>
Total revenues	<u>221,649</u>	<u>294,718</u>	<u>251,221</u>	<u>767,588</u>
Expenditures				
Current				
Instruction				
Regular program instruction	49,955	-	-	49,955
Other instruction	-	292,516	-	292,516
Support services				
Instructional staff services	24,110	-	-	24,110
Operation and maintenance of plant services	99,129	-	171,690	270,819
Transportation services	15,519	-	-	15,519
Non-instructional programs				
Food service operations	<u>1,879</u>	<u>-</u>	<u>-</u>	<u>1,879</u>
Total expenditures	<u>190,592</u>	<u>292,516</u>	<u>171,690</u>	<u>654,798</u>
Excess of revenues over expenditures	31,057	2,202	79,531	112,790
Other financing uses				
Interfund operating transfers out	<u>-</u>	<u>-</u>	<u>(82,835)</u>	<u>(82,835)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	31,057	2,202	(3,304)	29,955
Fund balances, beginning of year	<u>54,676</u>	<u>61,982</u>	<u>80,470</u>	<u>197,128</u>
Fund balances, end of year	<u>\$ 85,733</u>	<u>\$ 64,184</u>	<u>\$ 77,166</u>	<u>\$ 227,083</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Statement of Net Assets
 Nonmajor Proprietary Funds
 June 30, 2005

Schedule 3

	Enterprise		Total
	School Nutrition	Preschool/ Daycare	
ASSETS			
Cash and pooled investments	\$ 212,950	\$ 64,551	\$ 277,501
Accounts receivable	1,108	718	1,826
Inventories	3,112	-	3,112
Equipment, net of accumulated depreciation	4,878	-	4,878
Total assets	222,048	65,269	287,317
LIABILITIES			
Accounts payable	-	296	296
Salaries and benefits payable	1,409	4,246	5,655
Due to other funds	450	-	450
Total liabilities	1,859	4,542	6,401
NET ASSETS			
Invested in capital assets, net	4,878	-	4,878
Unreserved	215,311	60,727	276,038
Total net assets	\$ 220,189	\$ 60,727	\$ 280,916

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Proprietary Funds
 For the Year Ended June 30, 2005

Schedule 4

	Enterprise		Total
	School Nutrition	Preschool/ Daycare	
Operating revenue			
Local sources			
Charges for service	<u>\$ 377,606</u>	<u>\$ 304,291</u>	<u>\$ 681,897</u>
Operating expenses			
Non-instructional programs			
Salaries	127,759	171,566	299,325
Benefits	44,123	44,629	88,752
Purchased services	3,924	31,034	34,958
Supplies	185,079	55,757	240,836
Equipment repairs	-	916	916
Miscellaneous	450	84	534
Depreciation	842	-	842
Total operating expenses	<u>362,177</u>	<u>303,986</u>	<u>666,163</u>
Operating income	<u>15,429</u>	<u>305</u>	<u>15,734</u>
Non-operating revenue			
Interest income	920	-	920
State sources	4,633	-	4,633
Federal sources	<u>57,460</u>	-	<u>57,460</u>
Total non-operating revenue	<u>63,013</u>	<u>-</u>	<u>63,013</u>
Change in net assets	78,442	305	78,747
Net assets, beginning of year	<u>141,747</u>	<u>60,422</u>	<u>202,169</u>
Net assets, end of year	<u>\$ 220,189</u>	<u>\$ 60,727</u>	<u>\$ 280,916</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Statement of Cash Flows
 Nonmajor Proprietary Funds
 For the Year Ended June 30, 2005

Schedule 5

	Enterprise		Total
	School Nutrition	Preschool/ Daycare	
Cash flows from operating activities			
Cash received from sale of meals	\$ 377,392	\$ -	\$ 377,392
Cash received from sale of services	-	304,836	304,836
Cash payments to employees for services	(173,266)	(215,867)	(389,133)
Cash payments to suppliers for goods and services	(180,867)	(87,495)	(268,362)
Net cash provided by operating activities	23,259	1,474	24,733
Cash flows from non-capital financing activities			
State grants received	4,633	-	4,633
Federal grants received	53,244	-	53,244
Net cash provided by non-capital financing activities	57,877	-	57,877
Cash flows from investing activities			
Interest on investments	920	-	920
Net increase in cash and cash equivalents	82,056	1,474	83,530
Cash and cash equivalents, beginning of year	130,894	63,077	193,971
Cash and cash equivalents, end of year	\$ 212,950	\$ 64,551	\$ 277,501

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 15,429	\$ 305	\$ 15,734
Adjustments to reconcile operating income to net cash provided by operating activities			
Commodities used	9,270	-	9,270
Depreciation	842	-	842
(Increase) decrease in accounts receivable	(214)	545	331
(Increase) in inventories	(684)	-	(684)
Increase in accounts payable	-	296	296
Increase (decrease) in salaries and benefits payable	(934)	3,756	2,822
(Decrease) in due to other fund	(450)	(3,428)	(3,878)
Net cash provided by operating activities	\$ 23,259	\$ 1,474	\$ 24,733

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$9,270 of federal commodities.

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2005

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama	\$ 2,474	\$ 8,644	\$ 6,520	\$ -	\$ 4,598
Yearbook	10,016	4,973	6,900	-	8,089
MS yearbook	68	774	818	-	24
Fine arts	1,709	690	1,162	(157)	1,080
Honors English	45	-	-	-	45
Win With Reading	60	-	-	-	60
Media Center	5,904	1,378	7,215	-	67
Mock trial	58	-	-	-	58
Speech	-	491	97	-	394
All athletics	(10,943)	72,664	66,508	-	(4,787)
Athletic director/facilities	1	-	-	-	1
Soccer	10	7,831	7,885	-	(44)
Cross country	612	3,637	3,763	-	486
Football	-	393	255	-	138
Baseball	(732)	17,673	16,641	-	300
Boys track	509	3,476	3,985	-	-
Wrestling	675	1,539	626	-	1,588
Girls basketball	62	-	-	-	62
Volleyball	441	562	208	-	795
Softball	4	39,015	37,732	-	1,287
Girls track	1,200	7,108	7,645	-	663
Girls golf	194	-	-	-	194
Book A Birthday	198	35	-	-	233
Lakeview Jobs	292	-	292	-	-
Registration	490	-	35	-	455
High school activities	839	1,176	1,208	-	807
Padlocks	-	140	-	-	140
Lakeview activities	1,068	6,711	7,497	-	282
Art for education	795	-	-	-	795
Lakeview pictures	445	-	120	-	325
Concessions	2,187	14,998	13,793	-	3,392
Vending machines	1,097	1,370	749	(1,097)	621
Petty cash	43	-	-	-	43

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2005

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
High school pictures	\$ 3,919	\$ 3,239	\$ 4,831	\$ -	\$ 2,327
Computer training classes	1,533	-	-	-	1,533
Summer enrichment	3,797	2,405	3,797	-	2,405
Water club	25	75	34	-	66
Lakeview water club	21	770	708	-	83
Lakeview band resale	308	1,828	1,664	-	472
Middle school activities	1,015	2,220	967	-	2,268
Middle school student supplies	3,303	7,205	5,018	-	5,490
District-wide activities	659	868	591	1,097	2,033
MS water club	48	100	87	-	61
LV Spartan Fund Run	188	2,139	2,327	-	-
MS Spartan Fund Run	15	1,568	1,583	-	-
HS Spartan Fund Run	45	1,488	1,533	-	-
Close-up	245	-	-	-	245
Spanish club	1,722	5,832	3,900	-	3,654
Flag corps	332	686	603	-	415
Lakeview student council	371	-	362	-	9
High school student council	1,519	2,854	3,029	-	1,344
Junior high student council	7,702	19,709	21,534	-	5,877
School store	40	-	-	-	40
National Honor Society	257	-	-	-	257
Peer council	320	-	-	-	320
Band	1,057	7,890	8,132	-	815
Cheerleaders/poms	2,603	3,417	3,527	-	2,493
SADD	884	937	1,230	-	591
30 days to fitness	32	-	-	-	32
Environmental club	188	-	-	-	188
YAC	1,418	-	400	-	1,018
Dance team	916	13,410	13,423	-	903
Science/math boosters	3,801	1,172	4,973	-	-
Vocal music	297	5,837	5,539	-	595
MS cheerleading	1,556	-	1,172	-	384
HS dance team	-	2,800	1,784	-	1,016

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2005

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
HS show choir	\$ -	\$ 500	\$ 285	\$ -	\$ 215
"Stage Fright" club	216	969	600	157	742
"You Can Do It" group	-	1,584	409	-	1,175
Senior class	738	1,433	1,090	2	1,083
Junior class	740	6,281	5,763	(739)	519
Cultural enrichment fund	-	307	50	-	257
Graduate class contributions	<u>331</u>	<u>-</u>	<u>-</u>	<u>737</u>	<u>1,068</u>
Totals	<u>\$ 61,982</u>	<u>\$ 294,801</u>	<u>\$ 292,599</u>	<u>\$ -</u>	<u>\$ 64,184</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Four Years

Schedule 7

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 4,168,992	\$ 4,016,863	\$ 3,935,726	\$ 3,589,474
Tuition	414,282	460,436	297,548	266,463
Other	478,405	428,773	590,155	948,875
State sources	4,681,941	4,367,205	4,648,389	4,070,181
Federal sources	160,999	159,255	254,981	82,791
Total revenues	<u>\$ 9,904,619</u>	<u>\$ 9,432,532</u>	<u>\$ 9,726,799</u>	<u>\$ 8,957,784</u>
Expenditures				
Instruction				
Regular instruction	3,522,375	3,367,391	3,352,577	2,820,908
Special instruction	968,611	955,782	992,719	827,349
Other instruction	882,212	646,890	761,212	632,435
Support services				
Student services	133,370	170,130	137,658	145,774
Instructional staff services	471,260	598,890	712,332	241,355
Administration services	950,958	874,969	878,638	1,246,892
Operation and maintenance of plant services	1,196,049	945,915	932,027	750,255
Transportation services	414,093	467,611	297,535	259,637
Non-instructional programs	1,879	18,872	16,993	-
Other expenditures				
Facilities acquisition	-	191,307	3,167,434	5,814,346
Long-term debt				
Principal	523,085	489,303	505,428	189,939
Interest and other charges	476,575	496,359	501,987	649,786
AEA flowthrough	321,428	310,846	323,579	309,279
Total expenditures	<u>\$ 9,861,895</u>	<u>\$ 9,534,265</u>	<u>\$ 12,580,119</u>	<u>\$ 13,887,955</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education
Solon Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Solon Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 18, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Solon Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solon Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Solon Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Solon Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
October 18, 2005

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

(A) Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Part II. Other Findings Related to Statutory Reporting:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
2. Certified Budget - Expenditures for the year ended June 30, 2005 did not exceed the amended amounts budgeted.
3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
5. Business Transactions - No business transactions between the District and District officials were noted.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted a few error in the amounts reported in the non-fiscal Long-term Debt and Capital Assets areas.

Recommendation - The District should correct the items affecting beginning balances on the Certified Annual Report for the fiscal year ending June 30, 2006.

Response - We will correct the necessary balances on our FY06 CAR.

Conclusion - Response accepted.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

11. Financial Condition - The District had two Student Activity Accounts with negative balances at June 30, 2005.

Recommendation - The District should monitor these accounts and investigate alternatives to eliminate these deficits.

Response - We will investigate possible alternatives to eliminate these deficits.

Conclusion - Response accepted.

SOLON COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2005

This audit was performed by

Kay Chapman, CPA
Christina Chamberlin, staff accountant
Tammy Calvert, staff accountant



Solon Community School District

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NEWS RELEASE

FOR RELEASE:

Kay L. Chapman, CPA PC of Muscatine, Iowa today released an audit report on the Solon Community School District in Solon, Iowa.

The District's revenues totaled \$10,649,528 for the year ended June 30, 2005, a 5 percent increase from the prior year. Revenues included \$4,168,992 in local tax, charges for service of \$1,510,695, operating grants, contributions and restricted interest of \$826,878, capital grants of \$28,585, unrestricted state grants of \$4,049,570, contributions and donations of \$41,687 and unrestricted interest of \$23,121.

Expenses for District operations totaled \$10,661,986, an 8 percent increase from the prior year. Expenses included \$5,608,379 for instruction, \$3,172,248 for support services, \$674,882 for non-instructional programs and \$1,206,477 for other expenses.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.