

SOLON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

SOLON COMMUNITY SCHOOL DISTRICT
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SOLON COMMUNITY SCHOOL DISTRICT
Officials
June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 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
(After September 2005 Election)		
Dick Schwab	Board President	2008
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	2006
Pat Moore	District Secretary/Treasurer	2006
C. Joseph Holland	Attorney	2006

KAY L. CHAPMAN, CPA PC

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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, 2006, 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, 2006, 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 17, 2006 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, 2005 (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 17, 2006

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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased 4.3% from \$8,332,413 in fiscal 2005 to \$8,734,220 in fiscal 2006 and General Fund expenditures increased 8.8% from \$8,207,437 in fiscal 2005 to \$8,928,707 in fiscal 2006. The District's General Fund balance decreased from \$1,035,186 in fiscal 2005 to \$840,699 in fiscal 2006, an 18.8% decrease.
- The increase in General Fund revenues was attributable to an increase in the following areas: ISL surtaxes, interest earnings, textbook fees (registration), state foundation aid, additional categorical funding of Teacher Quality Funds and Professional Development, Section 8002 Impact Aid and IDEA – Part B funds. The increase in expenditures occurred in the following areas of the budget: copy center, ISEBA insurance settlement (one time only), increase in categorical funding in the areas of At Risk (Summer Science Academy), Teacher Quality and Professional Development, special education Level I, custodial areas (salaries, water/sewer, natural gas/electricity, supplies and repairs of buildings & grounds), transportation (parts/supplies, gasoline and diesel), substitute teacher salaries (higher than normal year of maternity leaves), boys athletic coaches and officials and mileage. Used only as a short-term fix, the officials and mileage will return to the Activity Fund for the 2006-2007 fiscal year.
- The 4.5% spread between the percentage increase in revenues and percentage increase in expenditures created a substantial decrease in the District's General Fund cash balance.

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 non-major Governmental Funds.

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

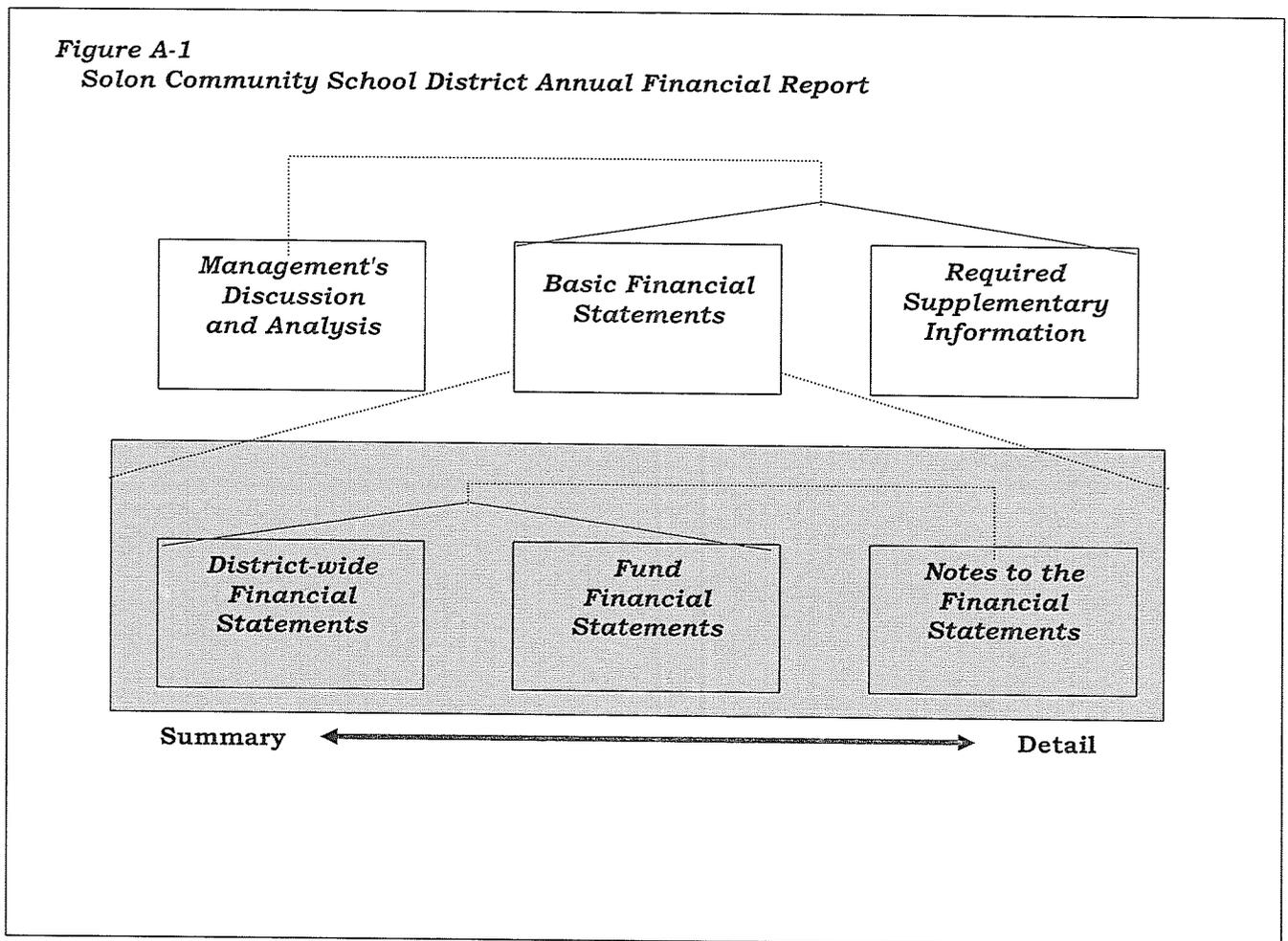


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, before and after and preschool program	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, before & after school and preschool 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 three Enterprise Funds, the School Nutrition Fund, Before & After School Program Fund and Preschool 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, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006-2005</u>
Current and other assets	\$ 14,116,132	\$ 6,592,670	\$ 315,043	\$ 282,439	\$ 14,431,175	\$ 6,875,109	109.90%
Capital assets	<u>10,917,661</u>	<u>11,367,099</u>	<u>8,997</u>	<u>4,878</u>	<u>10,926,658</u>	<u>11,371,977</u>	-3.92%
Total assets	<u>25,033,793</u>	<u>17,959,769</u>	<u>324,040</u>	<u>287,317</u>	<u>25,357,833</u>	<u>18,247,086</u>	38.97%
Long-term obligations	16,200,143	9,241,074	-	-	16,200,143	9,241,074	75.31%
Other liabilities	<u>5,444,205</u>	<u>5,305,030</u>	<u>14,533</u>	<u>6,401</u>	<u>5,458,738</u>	<u>5,311,431</u>	2.77%
Total liabilities	<u>21,644,348</u>	<u>14,546,104</u>	<u>14,533</u>	<u>6,401</u>	<u>21,658,881</u>	<u>14,552,505</u>	48.83%
Net assets							
Invested in capital assets, net of related debt	3,657,661	2,487,099	8,997	4,878	3,666,658	2,491,977	47.14%
Restricted	226,907	172,115	-	-	226,907	172,115	31.83%
Unrestricted	<u>(495,123)</u>	<u>754,451</u>	<u>300,510</u>	<u>276,038</u>	<u>(194,613)</u>	<u>1,030,489</u>	-118.89%
Total net assets	<u>\$ 3,389,445</u>	<u>\$ 3,413,665</u>	<u>\$ 309,507</u>	<u>\$ 280,916</u>	<u>\$ 3,698,952</u>	<u>\$ 3,694,581</u>	0.12%

The District's combined net assets increased by Less than 1%, or \$4,371, 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 increased \$54,792, or approximately 32% from the prior year. Encompassed in this increase is the fund balance of both the Activity fund and Physical Plant & Equipment Levy. The fund balance equates to current assets less any current liabilities.

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 \$1,225,102, or approximately 119%. 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. The District also did an advance refunding on bonds in which substantial monies are with an outside agent, but must be reflected on the financials of the District.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.
Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues							
Program revenues							
Charges for service and sales	\$ 761,715	\$ 828,798	\$ 706,135	\$ 681,897	\$ 1,467,850	\$ 1,510,695	-2.84%
Operating grants	805,022	764,785	67,659	62,093	872,681	826,878	5.54%
Capital grants	-	28,585	-	-	-	28,585	-100.00%
General revenues							
Property tax	4,370,366	4,168,992	-	-	4,370,366	4,168,992	4.83%
Unrestricted state grants	4,314,067	4,049,570	-	-	4,314,067	4,049,570	6.53%
Contributions and donations	82,786	41,687	-	-	82,786	41,687	98.59%
Unrestricted investment earnings	100,915	22,201	1,239	920	102,154	23,121	341.82%
Other	<u>11,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,778</u>	<u>-</u>	100.00%
Total revenues	<u>10,446,649</u>	<u>9,904,618</u>	<u>775,033</u>	<u>744,910</u>	<u>11,221,682</u>	<u>10,649,528</u>	5.37%
Program expenses							
Governmental activities							
Instruction	5,767,129	5,608,379	-	-	5,767,129	5,608,379	2.83%
Support services	3,262,211	3,172,248	-	-	3,262,211	3,172,248	2.84%
Non-instructional programs	5,450	8,719	746,442	666,163	751,892	674,882	11.41%
Other expenses	<u>1,436,079</u>	<u>1,206,477</u>	<u>-</u>	<u>-</u>	<u>1,436,079</u>	<u>1,206,477</u>	19.03%
Total expenses	<u>10,470,869</u>	<u>9,995,823</u>	<u>746,442</u>	<u>666,163</u>	<u>11,217,311</u>	<u>10,661,986</u>	5.21%
Change in net assets	<u>\$ (24,220)</u>	<u>\$ (91,205)</u>	<u>\$ 28,591</u>	<u>\$ 78,747</u>	<u>\$ 4,371</u>	<u>\$ (12,458)</u>	-135.09%

In fiscal 2006, property tax and unrestricted state grants account for 83% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$11,221,682 of which \$10,446,649 was for governmental activities and \$775,033 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.37% increase in revenues and a 5.21% increase in expenses. Property taxes increased \$201,374 and contributions & donations (local revenue) increased by \$41,099 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District (At Risk, IDEA – Part B, Teacher Quality & Professional Development).

Governmental Activities

Revenues for governmental activities were \$10,446,649 and expenses were \$10,470,869. Program expenses which attributed to this differential of expenses exceeding revenues were the areas of instruction, support services and other expenses.

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					
	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	\$ 5,767,129	\$ 5,608,379	2.8%	\$ 4,547,773	\$ 4,362,066	4.3%
Support services	3,262,211	3,172,248	2.8%	3,255,793	3,117,821	4.4%
Non-instructional programs	5,450	8,719	37.5%	5,450	8,719	37.5%
Other expenses	<u>1,436,079</u>	<u>1,206,477</u>	<u>19.0%</u>	<u>1,095,116</u>	<u>885,049</u>	<u>23.7%</u>
Total expenses	<u>\$ 10,470,869</u>	<u>\$ 9,995,823</u>	<u>4.8%</u>	<u>\$ 8,904,132</u>	<u>\$ 8,373,655</u>	<u>6.3%</u>

- The cost financed by users of the District's programs was \$761,715.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$805,022.
- The net cost of governmental activities was financed with \$4,370,366 in property taxes and \$4,314,067 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$775,033 representing a 4% increase over the prior year while expenses were \$746,442, a 12% increase over the prior year. The District's business type activities include the School Nutrition Fund, Before & After School Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the School Nutrition Fund recognized an increase 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. A Food Service Task Force Committee is being formed for the 2006-2007 school year to address the substantial cash balance and ways to comply with the general rule of having three months operating expenses as cash in a fund.

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 \$8,757,961, well above last year's ending fund balances of \$1,355,911. The increase in the combined fund balance can be attributed to the advance refunding of general obligation bonds during the year ended June 30, 2006.

Governmental Fund Highlights

- The District's deteriorating 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 higher than the revenues increase, therefore, creating a substantial decrease in the General Fund balance at year-end.
- The General Fund balance decreased from \$1,035,186 to \$840,699, as a result of a bigger spread between current assets and liabilities. The largest asset decrease was a 19% decrease in cash and the largest increase was an 11% increase in other receivables. Overall liabilities decreased from 2005 to 2006. However, the spread between Assets and Liabilities was enough to attribute to the substantial decline in the unreserved/unrestricted fund balance.
- The Debt Service Fund balance increased significantly from \$93,642 at June 30, 2005 to \$7,621,850 at June 30, 2006 due to the advance refunding of general obligation bonds during fiscal year 2006.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$280,916 at June 30, 2005 to \$309,507 at June 30, 2006, representing an increase of approximately 10%. The Nutrition Fund had a substantial increase in assets but a slight decrease in liabilities, creating an increase in Fund Balance. The Preschool Fund had a slight increase in assets and a decrease in liabilities equating to a minimal increase in Fund Balance.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2006, Solon Community School District amended its annual budget one time to reallocate expenditures among the four functions, but did not increase total expenditures budgeted.

The District's receipts were \$58,912 more than budgeted receipts, a variance of less than 1%. Areas that attributed to this were less than anticipated revenues in the area of utility excise taxes, driver education fees, special education tuition, open enrollment and Medicaid reimbursement.

Total expenditures were \$1,365,162 more than budgeted, due primarily to the District's budget for the Debt Service Fund and costs associated with the advance refunding of general obligation bonds. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the Other Expenditures function due to the advance refunding of general obligation bonds and the account code changes mandated by the Iowa Department of Education guidance released too late in the year to properly amend the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$10,926,658, 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 3.9% 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 \$540,796.

The original cost of the District's capital assets was \$20,472,421. Governmental funds account for \$20,457,280, with the remainder of \$15,141 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and improvements category. The District's buildings and improvements category totaled \$10,234,124 at June 30, 2005 compared to \$9,826,226 at June 30, 2006. This decrease resulted from annual depreciation expense for the 2006 fiscal year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
	Land	\$ 582,068	\$ 567,505	\$ -	\$ -	\$ 582,068	\$ 567,505
Buildings and improvements	9,826,226	10,234,124	-	-	9,826,226	10,234,124	-3.99%
Improvements, other than buildings	116,986	134,939	-	-	116,986	134,939	-13.30%
Furniture and equipment	<u>392,381</u>	<u>430,531</u>	<u>8,997</u>	<u>4,878</u>	<u>401,378</u>	<u>435,409</u>	-7.82%
Totals	<u>\$ 10,917,661</u>	<u>\$ 11,367,099</u>	<u>\$ 8,997</u>	<u>\$ 4,878</u>	<u>\$ 10,926,658</u>	<u>\$ 11,371,977</u>	-3.92%

Long-Term Debt

At June 30, 2006, the District had \$16,200,143 in general obligation and other long-term debt outstanding. This represents an increase of 75% 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 February of 2006, the District advance refunded general obligation bonds from 1997, 2000 and 2001. \$2,195,000 of the refunding bond proceeds were used to currently refund the outstanding balance of \$1,550,000 of the 1997 bond issue. The remaining refunding proceeds were used to advance refund the 2000 and 2001 general obligation bond issues. Proceeds of the refunding bonds were invested in an escrow account that will be used to pay the scheduled debt service requirements on the 2000 and 2001 issues through May 1, 2009, at which time the outstanding bonds will be called and redeemed at par.

The District also had Capital Loan Notes of \$235,000, compensated absences of \$19,010 and early retirement obligations of \$151,133 at fiscal year end 2006.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2005-</u> <u>2006</u>
	General obligation bonds	\$15,795,000	\$8,575,000
Capital loan notes	235,000	305,000	-22.95%
Compensated absences	19,010	-	100.00%
Early retirement	<u>151,133</u>	<u>361,074</u>	-58.14%
Total	<u>\$16,200,143</u>	<u>\$9,241,074</u>	75.31%

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 placed the issue of extending the Voter-Approved PPEL levy from .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. The PPEL extension vote passed and the District will begin the new taxing authority for the 2006-2007 budgeting process. Along the same lines, the District also asked the Voters of the District to extend the current instructional support levy for another 10 years. The Instructional Support Levy was placed on the September 2006 ballot, which passed and is in effect for another 10 years.
- The enrollment has been on an upward trend over the past three years. The September 2005 certified enrollment count rose by 10.9 students over the September 2004 certified enrollment count. As of this writing, the October 2006 certified enrollment count rose by 41.8 students. 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 budgeted \$165,000 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.
- Both Johnson County and Linn County will be placing the SILO (School Infrastructure Local Option Sales & Service Tax) ballot question before the voters in February 2006. If passed, this would help fund the facility needs of the District. The estimate of revenues (as based on Piper Jaffray Estimate of 2005 Sales Tax Revenues) over a ten-year period are \$9,650,000.

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, 2006

Exhibit A

ASSETS	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 973,645	\$ -	\$ 973,645
Cash with fiscal agent	7,279,346	-	7,279,346
Other	1,547,753	312,392	1,860,145
Receivables			
Property tax			
Delinquent	25,461	-	25,461
Succeeding year	4,177,667	-	4,177,667
Accounts receivable	95,816	195	96,011
Accrued interest			
ISCAP	303	-	303
Due from other funds	7,301	-	7,301
Due from other governments	8,840	-	8,840
Inventories	-	2,456	2,456
Capital assets, net of accumulated depreciation	<u>10,917,661</u>	<u>8,997</u>	<u>10,926,658</u>
Total assets	<u>25,033,793</u>	<u>324,040</u>	<u>25,357,833</u>
LIABILITIES			
Accounts payable	41,938	529	42,467
Salaries and benefits payable	155,906	6,703	162,609
Accrued interest payable	86,034	-	86,034
Deferred revenue - succeeding year property tax	4,177,667	-	4,177,667
Due to other funds	-	7,301	7,301
ISCAP warrants payable	975,000	-	975,000
ISCAP accrued interest payable	240	-	240
ISCAP unamortized premium	7,420	-	7,420
Long-term liabilities			
Portion due within one year			
Capital loan notes payable	75,000	-	75,000
Bonds payable	620,000	-	620,000
Early retirement	151,133	-	151,133
Portion due after one year			
Capital loan notes payable	160,000	-	160,000
Bonds payable	15,175,000	-	15,175,000
Compensated absences	19,010	-	19,010
Total liabilities	<u>21,644,348</u>	<u>14,533</u>	<u>21,658,881</u>

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

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Net Assets
 June 30, 2006

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	\$ 3,657,661	\$ 8,997	\$ 3,666,658
Restricted for			
Physical plant and equipment levy	114,806	-	114,806
Other special revenue purposes	112,101	-	112,101
Unrestricted	<u>(495,123)</u>	<u>300,510</u>	<u>(194,613)</u>
 Total net assets	 <u>\$ 3,389,445</u>	 <u>\$ 309,507</u>	 <u>\$ 3,698,952</u>

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

SOLOM COMMUNITY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Total</u>
Governmental activities					
Instruction					
Regular instruction	\$ 3,882,436	\$ 622,728	\$ 355,403	\$ -	\$ (2,904,305)
Special instruction	1,164,596	105,407	98,442	-	(960,747)
Other instruction	<u>720,097</u>	<u>33,139</u>	<u>4,237</u>	-	<u>(682,721)</u>
	<u>5,767,129</u>	<u>761,274</u>	<u>458,082</u>	-	<u>(4,547,773)</u>
Support services					
Student services	260	-	-	-	(260)
Instructional staff services	585,971	-	-	-	(585,971)
Administration services	1,046,412	-	-	-	(1,046,412)
Operation and maintenance of plant services	1,199,888	441	-	-	(1,199,447)
Transportation services	<u>429,680</u>	-	<u>5,977</u>	-	<u>(423,703)</u>
	<u>3,262,211</u>	<u>441</u>	<u>5,977</u>	-	<u>(3,255,793)</u>
Non-instructional programs	<u>5,450</u>	-	-	-	<u>(5,450)</u>
Other expenditures					
Facilities acquisition	107,191	-	-	-	(107,191)
Long-term debt interest	578,727	-	-	-	(578,727)
AEA flowthrough	340,963	-	340,963	-	-
Depreciation (unallocated) *	409,198	-	-	-	(409,198)
	<u>1,436,079</u>	-	<u>340,963</u>	-	<u>(1,095,116)</u>
Total governmental activities	<u>10,470,869</u>	<u>761,715</u>	<u>805,022</u>	-	<u>(8,904,132)</u>

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

SOLON COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2006

Net (Expense) Revenue
and Changes in Net Assets

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Business type activities							
Non-instructional programs							
Nutrition services	\$ 400,505	\$ 394,938	\$ 67,659	\$ -	\$ -	\$ 62,092	\$ 62,092
Before & after program	299,426	252,971	-	-	-	(46,455)	(46,455)
Preschool program	46,511	58,226	-	-	-	11,715	11,715
Total business type activities	<u>746,442</u>	<u>706,135</u>	<u>67,659</u>	<u>-</u>	<u>-</u>	<u>27,352</u>	<u>27,352</u>
Total	<u>\$ 11,217,311</u>	<u>\$ 1,467,850</u>	<u>\$ 872,681</u>	<u>\$ -</u>	<u>(8,904,132)</u>	<u>27,352</u>	<u>(8,876,780)</u>
<u>General Revenues</u>							
Property tax levied for							
General purposes					3,340,728	-	3,340,728
Capital outlay					229,316	-	229,316
Debt service					800,322	-	800,322
Unrestricted state grants					4,314,067	-	4,314,067
Contributions and donations					82,786	-	82,786
Unrestricted investment earnings					100,915	1,239	102,154
Miscellaneous					11,778	-	11,778
Total general revenues					<u>8,879,912</u>	<u>1,239</u>	<u>8,881,151</u>
Change in net assets					(24,220)	28,591	4,371
Net assets, beginning of year, as adjusted					3,413,665	280,916	3,694,581
Net assets, end of year					<u>\$ 3,389,445</u>	<u>\$ 309,507</u>	<u>\$ 3,698,952</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, 2006

Exhibit C

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and pooled investments				
ISCAP	\$ 973,645	\$ -	\$ -	\$ 973,645
With fiscal agent	-	7,279,346	-	7,279,346
Other	916,328	337,157	294,268	1,547,753
Receivables				
Property tax				
Delinquent	16,680	5,347	3,434	25,461
Succeeding year	2,714,030	787,948	675,689	4,177,667
Accounts receivable	95,666	-	150	95,816
Accrued interest - ISCAP	303	-	-	303
Due from other funds	7,301	-	-	7,301
Due from other governments	8,840	-	-	8,840
Total assets and other debits	<u>\$ 4,732,793</u>	<u>\$ 8,409,798</u>	<u>\$ 973,541</u>	<u>\$ 14,116,132</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 39,498	\$ -	\$ 2,440	\$ 41,938
Salaries and benefits payable	155,906	-	-	155,906
ISCAP warrants payable	975,000	-	-	975,000
ISCAP accrued interest payable	240	-	-	240
ISCAP unamortized premium	7,420	-	-	7,420
Deferred revenue				
Succeeding year property tax	2,714,030	787,948	675,689	4,177,667
Total liabilities	<u>3,892,094</u>	<u>787,948</u>	<u>678,129</u>	<u>5,358,171</u>
Fund balances				
Reserved for				
Debt service	-	7,621,850	-	7,621,850
Unreserved special revenue funds	-	-	295,412	295,412
Unreserved governmental funds	840,699	-	-	840,699
Total fund balances	<u>840,699</u>	<u>7,621,850</u>	<u>295,412</u>	<u>8,757,961</u>
Total liabilities and fund balances	<u>\$ 4,732,793</u>	<u>\$ 8,409,798</u>	<u>\$ 973,541</u>	<u>\$ 14,116,132</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, 2006

Exhibit D

Total fund balances of governmental funds	\$ 8,757,961
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.	10,917,661
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.	(86,034)
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>(16,200,143)</u>
Net assets of governmental activities	<u>\$ 3,389,445</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, 2006

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 2,968,625	\$ 800,323	\$ 515,321	\$ 4,284,269
Tuition	369,739	-	-	369,739
Other	190,571	52,427	338,776	581,774
State sources	5,019,959	-	-	5,019,959
Federal sources	185,326	-	-	185,326
Total revenues	<u>8,734,220</u>	<u>852,750</u>	<u>854,097</u>	<u>10,441,067</u>
Expenditures				
Current				
Instruction				
Regular instruction	3,723,987	-	188,391	3,912,378
Special instruction	1,161,030	-	-	1,161,030
Other instruction	444,117	-	270,672	714,789
	<u>5,329,134</u>	<u>-</u>	<u>459,063</u>	<u>5,788,197</u>
Support services				
Student services	138,911	-	-	138,911
Instructional staff services	597,467	-	-	597,467
Administration services	1,010,741	-	12,697	1,023,438
Operation and maintenance of plant services	1,094,017	-	101,866	1,195,883
Transportation services	417,474	-	9,548	427,022
	<u>3,258,610</u>	<u>-</u>	<u>124,111</u>	<u>3,382,721</u>
Other expenditures				
Facilities acquisition	-	-	121,754	121,754
Long-term debt				
Principal	-	1,875,000	-	1,875,000
Interest and fiscal charges	-	561,060	-	561,060
AEA flowthrough	340,963	-	-	340,963
	<u>340,963</u>	<u>2,436,060</u>	<u>121,754</u>	<u>2,898,777</u>
Total expenditures	<u>8,928,707</u>	<u>2,436,060</u>	<u>704,928</u>	<u>12,069,695</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, 2006

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (194,487)	\$ (1,583,310)	\$ 149,169	\$ (1,628,628)
Other financing sources (uses)				
Proceeds from refunding of debt	-	9,030,678	-	9,030,678
Interfund operating transfers in (out)	-	80,840	(80,840)	-
Total other financing sources (uses)	-	9,111,518	(80,840)	9,030,678
Net change in fund balances	(194,487)	7,528,208	68,329	7,402,050
Fund balance, beginning of year	<u>1,035,186</u>	<u>93,642</u>	<u>227,083</u>	<u>1,355,911</u>
Fund balance, end of year	<u>\$ 840,699</u>	<u>\$ 7,621,850</u>	<u>\$ 295,412</u>	<u>\$ 8,757,961</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, 2006

Exhibit F

Net change in fund balances - total governmental funds \$ 7,402,050

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	\$ 89,745	
Depreciation expense	(539,183)	(449,438)

Proceeds from issuing long-term liabilities provide current resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(9,025,000)	
Repaid	1,875,000	(7,150,000)

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	209,941	
Compensated absences	(19,010)	190,931

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.

(17,763)

Change in net assets of governmental activities \$ (24,220)

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

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Net Assets
 Proprietary Funds
 June 30, 2006

Exhibit G

	<u>Nonmajor Enterprise Funds</u>
ASSETS	
Cash and pooled investments	\$ 312,392
Accounts receivable	195
Inventories	2,456
Capital assets, net of accumulated depreciation	<u>8,997</u>
Total assets	<u>324,040</u>
 LIABILITIES	
Accounts payable	529
Salaries and benefits payable	6,703
Due to other funds	<u>7,301</u>
Total liabilities	<u>14,533</u>
 NET ASSETS	
Invested in capital assets, net of related debt	8,997
Unreserved retained earnings	<u>300,510</u>
Total net assets	<u><u>\$ 309,507</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, 2006

Exhibit H

	Nonmajor Enterprise Funds
Operating revenue	
Local sources	
Charges for service	<u>\$ 706,135</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries	143,615
Benefits	47,411
Purchased services	46
Supplies	191,696
Equipment repairs	4,519
Miscellaneous	11,605
Depreciation	<u>1,613</u>
	400,505
Before and after program	
Salaries	180,305
Benefits	34,162
Purchased services	27,288
Supplies	53,703
Miscellaneous	<u>3,968</u>
	299,426
Preschool operations	
Salaries	30,141
Benefits	13,684
Supplies	2,503
Miscellaneous	<u>183</u>
	46,511
Total operating expenses	<u>746,442</u>
Operating loss	<u>(40,307)</u>
Non-operating revenue	
Interest income	1,239
State sources	4,730
Federal sources	<u>62,929</u>
Total non-operating revenue	<u>68,898</u>
Net income	28,591
Net assets, beginning of year	<u>280,916</u>
Net assets, end of year	<u><u>\$ 309,507</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, 2006

Exhibit I

	Nonmajor Enterprise Funds
Cash flows from operating activities	
Cash received from sale of meals	\$ 396,046
Cash received from sale of services	311,720
Cash payments to employees for services	(441,419)
Cash payments to suppliers for goods and services	<u>(284,703)</u>
Net cash used in operating activities	<u>(18,356)</u>
Cash flows from non-capital financing activities	
State grants received	4,730
Federal grants received	<u>53,010</u>
Net cash provided by non-capital financing activities	<u>57,740</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(5,732)</u>
Cash flows from investing activities	
Interest on investments	<u>1,239</u>
Net increase in cash and cash equivalents	34,891
Cash and cash equivalents, beginning of year	<u>277,501</u>
Cash and cash equivalents, end of year	<u><u>\$ 312,392</u></u>

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (40,307)
Adjustments to reconcile operating loss to net cash used in operating activities	
Commodities used	9,919
Depreciation	1,613
Decrease in accounts receivable	1,631
Decrease in inventories	656
Increase in accounts payable	233
Increase in salaries and benefits payable	1,048
Increase in due to other fund	<u>6,851</u>
Net cash used in operating activities	<u><u>\$ (18,356)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2006, the District received \$9,919 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, 2006

Exhibit J

	<u>Private Purpose Trust Stone Academy</u>
Assets	
Cash and pooled investments	\$ 2,811
Liabilities	<u>-</u>
Net assets	
Unreserved	<u>\$ 2,811</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, 200

Exhibit K

	<u>Private Purpose Trust Stone Academy</u>
Additions	
Local sources	
Donations	\$ 592
Deductions	
Support services	
Operation and maintenance of plant services	<u>497</u>
Change in net assets	95
Net assets, beginning of year	<u>2,716</u>
Net assets, end of year	<u><u>\$ 2,811</u></u>

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

SOLON COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

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 three nonmajor proprietary, enterprise funds. The School Nutrition Fund is used to account for the food service operations of the district, the Before & After School Fund is used to account before and after school daycare operations of the district and the Preschool Fund is used to account for the preschool 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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, 2006. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements when employees resign or retire. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures exceeded the amount budgeted in the Other Expenditures function. However, the District did not exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2006 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, 2006.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise Fund, School Nutrition	\$ 250
General	Enterprise Fund, Before & After	<u>7,051</u>
Total		<u>\$ 7,301</u>

The School Nutrition Fund and Before & After Fund are repaying the General Fund for salaries and benefits paid. These amounts will be repaid during the year ending June 30, 2007.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 80,840

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, 2006, 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>
2006-07A	6/28/06	6/28/07	\$ 973,645	\$ 303	\$ 975,000	\$ 240	\$ 7,420

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, 2006.

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>
2005-06A	4.000%	3.9030%
2005-06B	4.500%	4.7720%
2006-07A	4.500%	5.6760%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 567,505	\$ 14,563	\$ -	\$ 582,068
Capital assets being depreciated:				
Buildings and improvements	16,383,740	-	-	16,383,740
Improvements other than buildings	416,741	-	-	416,741
Furniture and equipment	<u>2,999,549</u>	<u>75,182</u>	<u>-</u>	<u>3,074,731</u>
Total capital assets being depreciated	<u>19,800,030</u>	<u>75,182</u>	<u>-</u>	<u>19,875,212</u>
Less accumulated depreciation for:				
Buildings and improvements	6,149,616	407,898	-	6,557,514
Improvements other than buildings	281,802	17,953	-	299,755
Furniture and equipment	<u>2,569,018</u>	<u>113,332</u>	<u>-</u>	<u>2,682,350</u>
Total accumulated depreciation	<u>9,000,436</u>	<u>539,183</u>	<u>-</u>	<u>9,539,619</u>
Total capital assets being depreciated, net	<u>10,799,594</u>	<u>(464,001)</u>	<u>-</u>	<u>10,335,593</u>
Governmental activities capital assets, net	<u>\$ 11,367,099</u>	<u>\$(449,438)</u>	<u>\$ -</u>	<u>\$ 10,917,661</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 9,409	\$ 5,732	\$ -	\$ 15,141
Less accumulated depreciation	<u>4,531</u>	<u>1,613</u>	<u>-</u>	<u>6,144</u>
Business type activities capital assets, net	<u>\$ 4,878</u>	<u>\$ 4,119</u>	<u>\$ -</u>	<u>\$ 8,997</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 19,539
Special	3,566
Other	13,308
Support services	
Student	260
Instructional staff	1,200
Administration	3,964
Operation and maintenance of plant	9,525
Transportation	73,173
Non-instructional programs	5,450
Unallocated depreciation	<u>409,198</u>
Total governmental activities depreciation expense	<u>\$ 539,183</u>

Business type activities

Food services	<u>\$ 1,613</u>
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During the year ended June 30, 2006, the District discovered several errors in the amount of accumulated depreciation recorded for the prior year. Therefore, the beginning accumulated depreciation for the current fiscal year has been adjusted, as follows:

Buildings and improvements	Increased by \$16,006
Improvements other than buildings	Decreased by \$14,661
Furniture and equipment	Increased by \$633,486

The beginning balance of the Governmental Activities in the government-wide Statement of Activities has also been decreased by \$634,831 due to these corrections.

Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 8,575,000	\$ -	\$(1,550,000)	\$ 7,025,000	\$ 165,000
Refunding bonds	-	9,025,000	(255,000)	8,770,000	455,000
Capital loan notes payable	305,000	-	(70,000)	235,000	75,000
Compensated absences	-	19,010	-	19,010	-
Early retirement	361,074	-	(209,941)	151,133	151,133
Totals	<u>\$ 9,241,074</u>	<u>\$ 9,044,010</u>	<u>\$(2,084,941)</u>	<u>\$ 16,200,143</u>	<u>\$ 846,133</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 paid during the year ended June 30, 2006 totaled \$209,941.

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30.	2-1-06 Issue			11-1-00 Issue		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2007	3.75	\$ 455,000	\$ 332,547	4.75	\$ 160,000	\$ 278,405
2008	3.75	475,000	315,485	4.80	170,000	270,805
2009	3.75	495,000	297,673	4.85	175,000	262,645
2010	3.75	510,000	279,110	4.90	185,000	254,158
2011	3.75	530,000	259,985	4.95	195,000	245,093
2012	3.75	825,000	240,110	5.00	385,000	230,738
2013	3.75	590,000	209,172	5.10	410,000	211,285
2014	3.75	610,000	187,047	5.20	435,000	190,093
2015	3.75	635,000	164,172	5.25	465,000	167,190
2016	3.75	655,000	140,360	5.30	490,000	142,573
2017	3.75	675,000	115,797	5.35	520,000	116,265
2018	3.85	705,000	90,485	5.40	555,000	87,974
2019	3.90	710,000	63,342	5.40	590,000	57,668
2020	3.95	695,000	35,652	5.45	620,000	25,403
2021	4.00	205,000	8,200		-	-
Totals		<u>\$ 8,770,000</u>	<u>\$ 2,739,137</u>		<u>\$ 5,355,000</u>	<u>\$ 2,540,295</u>

Year Ending June 30.	5-1-01 Issue			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2007		\$ -	\$ 83,250	\$ 615,000	\$ 694,202
2008		-	83,250	645,000	669,540
2009		-	83,250	670,000	643,568
2010		-	83,250	695,000	616,518
2011		-	83,250	725,000	588,328
2012	5.00	100,000	83,250	1,310,000	554,098
2013	5.00	100,000	78,250	1,100,000	498,707
2014	5.00	100,000	73,250	1,145,000	450,390
2015	5.00	100,000	68,250	1,200,000	399,612
2016	5.00	100,000	63,250	1,245,000	346,183
2017	5.00	100,000	58,250	1,295,000	290,312
2018	5.00	100,000	53,250	1,360,000	231,709
2019	5.00	100,000	48,250	1,400,000	169,260
2020	5.00	100,000	43,250	1,415,000	104,305
2021	5.00	765,000	38,250	970,000	46,450
Totals		<u>\$ 1,665,000</u>	<u>\$ 1,023,750</u>	<u>\$ 15,790,000</u>	<u>\$ 6,303,182</u>

The bond issue of November 1, 1979 is fully retired except for one bond for \$5,000 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.

During the year ended June 30, 2006, the District issued \$9,025,000 in general obligation bonds and retired general obligation bonds of \$1,805,000.

Refunded General Obligation Bonds

During the year ended June 30, 2006, the District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities and additional cash were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are not recorded by the District. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$1,395,000 at June 30, 2006.

The advance refunding was undertaken to reduce total debt service payments over the next sixteen years by \$692,600 and resulted in economic gain of \$478,952.

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			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 235,000</u>	<u>\$ 17,910</u>	<u>\$ 252,910</u>

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, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$308,619, \$288,411 and \$273,904 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 \$340,963 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

and Supplemental

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, 2006

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$ 5,235,782		\$ 707,374		\$ 5,943,156	\$ 5,944,973	\$ 5,944,973	\$ (1,817)
State sources	5,019,959		4,730		5,024,689	5,010,692	5,010,692	13,997
Federal sources	185,326		62,929		248,255	201,523	201,523	46,732
Total revenues	<u>10,441,067</u>		<u>775,033</u>		<u>11,216,100</u>	<u>11,157,188</u>	<u>11,157,188</u>	<u>58,912</u>
Expenditures								
Instruction	5,788,197		-		5,788,197	6,024,607	5,968,128	179,931
Support services	3,382,721		-		3,382,721	3,270,023	3,496,856	114,135
Non-instructional programs	-		746,442		746,442	756,400	787,817	41,375
Other expenditures	2,898,777		-		2,898,777	1,399,945	1,198,174	(1,700,603)
Total expenditures	<u>12,069,695</u>		<u>746,442</u>		<u>12,816,137</u>	<u>11,450,975</u>	<u>11,450,975</u>	<u>(1,365,162)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,628,628)		28,591		(1,600,037)	(293,787)	(293,787)	(1,306,250)
Other financing sources, net	<u>9,030,678</u>		-		<u>9,030,678</u>	-	-	<u>(9,030,678)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	7,402,050		28,591		7,430,641	(293,787)	(293,787)	(10,336,928)
Balance, beginning of year	1,355,911		280,916		1,636,827	1,281,337	1,281,337	355,490
Balance, end of year	<u>\$ 8,757,961</u>		<u>\$ 309,507</u>		<u>\$ 9,067,468</u>	<u>\$ 987,550</u>	<u>\$ 987,550</u>	<u>\$ (9,981,438)</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

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 the Debt Service 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 adopted one budget amendment which changed the allocation of expenditures among the four functional areas, but did not increase total expenditures.

During the year ended June 30, 2006, District expenditures exceeded the amount budgeted in the Other Expenditures function. However, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2006

Schedule 1

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 66,603	\$ 112,500	\$ 115,165	\$ 294,268
Receivables				
Property tax				
Delinquent	1,902	-	1,532	3,434
Succeeding year	263,000	-	412,689	675,689
Accounts receivable	-	150	-	150
Total assets	<u>\$331,505</u>	<u>\$ 112,650</u>	<u>\$ 529,386</u>	<u>\$ 973,541</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 549	\$ 1,891	\$ 2,440
Deferred revenue				
Succeeding year property tax	<u>263,000</u>	<u>-</u>	<u>412,689</u>	<u>675,689</u>
Total liabilities	263,000	549	414,580	678,129
Fund balances				
Unreserved fund balances	<u>68,505</u>	<u>112,101</u>	<u>114,806</u>	<u>295,412</u>
Total liabilities and fund balances	<u>\$331,505</u>	<u>\$ 112,650</u>	<u>\$ 529,386</u>	<u>\$ 973,541</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, 2006

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	\$ 286,005	\$ -	\$ 229,316	\$ 515,321
Other	<u>8,574</u>	<u>319,284</u>	<u>10,918</u>	<u>338,776</u>
Total revenues	<u>294,579</u>	<u>319,284</u>	<u>240,234</u>	<u>854,097</u>
 Expenditures				
Current				
Instruction				
Regular program instruction	188,391	-	-	188,391
Other instruction	-	270,672	-	270,672
Support services				
Administration services	12,697	-	-	12,697
Operation and maintenance of plant services	101,866	-	-	101,866
Transportation services	8,853	695	-	9,548
Other expenditures				
Facilities acquisition	-	-	121,754	121,754
Total expenditures	<u>311,807</u>	<u>271,367</u>	<u>121,754</u>	<u>704,928</u>
Excess (deficiency) of revenues over (under) expenditures	(17,228)	47,917	118,480	149,169
 Other financing uses				
Interfund operating transfers out	-	-	(80,840)	(80,840)
 Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	(17,228)	47,917	37,640	68,329
Fund balances, beginning of year	<u>85,733</u>	<u>64,184</u>	<u>77,166</u>	<u>227,083</u>
 Fund balances, end of year	<u>\$ 68,505</u>	<u>\$ 112,101</u>	<u>\$ 114,806</u>	<u>\$ 295,412</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2006

Schedule 3

	<u>School Nutrition</u>	<u>Before & After</u>	<u>Preschool</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 272,662	\$ 16,497	\$ 23,233	\$ 312,392
Accounts receivable	-	195	-	195
Inventories	2,456	-	-	2,456
Equipment, net of accumulated depreciation	8,997	-	-	8,997
Total assets	<u>284,115</u>	<u>16,692</u>	<u>23,233</u>	<u>324,040</u>
LIABILITIES				
Accounts payable	-	529	-	529
Salaries and benefits payable	345	3,638	2,720	6,703
Due to other funds	250	7,051	-	7,301
Total liabilities	<u>595</u>	<u>11,218</u>	<u>2,720</u>	<u>14,533</u>
NET ASSETS				
Invested in capital assets, net	8,997	-	-	8,997
Unreserved	274,523	5,474	20,513	300,510
Total net assets	<u>\$ 283,520</u>	<u>\$ 5,474</u>	<u>\$ 20,513</u>	<u>\$ 309,507</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2006

Schedule 4

	<u>School Nutrition</u>	<u>Before & After</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue				
Local sources				
Charges for service	<u>\$ 394,938</u>	<u>\$ 252,971</u>	<u>\$ 58,226</u>	<u>\$ 706,135</u>
Operating expenses				
Non-instructional programs				
Salaries	143,615	180,305	30,141	354,061
Benefits	47,411	34,162	13,684	95,257
Purchased services	46	27,288	-	27,334
Supplies	191,696	53,703	2,503	247,902
Equipment repairs	4,519	-	-	4,519
Miscellaneous	11,605	3,968	183	15,756
Depreciation	<u>1,613</u>	<u>-</u>	<u>-</u>	<u>1,613</u>
Total operating expenses	<u>400,505</u>	<u>299,426</u>	<u>46,511</u>	<u>746,442</u>
Operating income (loss)	<u>(5,567)</u>	<u>(46,455)</u>	<u>11,715</u>	<u>(40,307)</u>
Non-operating revenue				
Interest income	1,239	-	-	1,239
State sources	4,730	-	-	4,730
Federal sources	<u>62,929</u>	<u>-</u>	<u>-</u>	<u>62,929</u>
Total non-operating revenue	<u>68,898</u>	<u>-</u>	<u>-</u>	<u>68,898</u>
Net income (loss)	63,331	(46,455)	11,715	28,591
Net assets, beginning of year	<u>220,189</u>	<u>51,929</u>	<u>8,798</u>	<u>280,916</u>
Net assets, end of year	<u>\$ 283,520</u>	<u>\$ 5,474</u>	<u>\$ 20,513</u>	<u>\$ 309,507</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2006

Schedule 5

	<u>School Nutrition</u>	<u>Before & After</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from sale of meals	\$ 396,046	\$ -	\$ -	\$ 396,046
Cash received from sale of services	-	253,494	58,226	311,720
Cash payments to employees for services	(192,290)	(208,024)	(41,105)	(441,419)
Cash payments to suppliers for goods and services	<u>(197,291)</u>	<u>(84,726)</u>	<u>(2,686)</u>	<u>(284,703)</u>
Net cash provided by (used in) operating activities	<u>6,465</u>	<u>(39,256)</u>	<u>14,435</u>	<u>(18,356)</u>
Cash flows from non-capital financing activities				
State grants received	4,730	-	-	4,730
Federal grants received	<u>53,010</u>	<u>-</u>	<u>-</u>	<u>53,010</u>
Net cash provided by non-capital financing activities	<u>57,740</u>	<u>-</u>	<u>-</u>	<u>57,740</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(5,732)</u>	<u>-</u>	<u>-</u>	<u>(5,732)</u>
Cash flows from investing activities				
Interest on investments	<u>1,239</u>	<u>-</u>	<u>-</u>	<u>1,239</u>
Net increase (decrease) in cash and cash equivalents	59,712	(39,256)	14,435	34,891
Cash and cash equivalents, beginning of year	<u>212,950</u>	<u>55,753</u>	<u>8,798</u>	<u>277,501</u>
Cash and cash equivalents, end of year	<u>\$ 272,662</u>	<u>\$ 16,497</u>	<u>\$ 23,233</u>	<u>\$ 312,392</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (5,567)	\$ (46,455)	\$ 11,715	\$ (40,307)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Commodities used	9,919	-	-	9,919
Depreciation	1,613	-	-	1,613
Decrease in accounts receivable	1,108	523	-	1,631
Decrease in inventories	656	-	-	656
Increase in accounts payable	-	233	-	233
Increase (decrease) in salaries and benefits payable	(1,064)	(608)	2,720	1,048
Increase (decrease) in due to other fund	<u>(200)</u>	<u>7,051</u>	<u>-</u>	<u>6,851</u>
Net cash provided by (used in) operating activities	<u>\$ 6,465</u>	<u>\$ (39,256)</u>	<u>\$ 14,435</u>	<u>\$ (18,356)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$9,919 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, 2006

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of Year
Drama	\$ 4,599	\$ 8,372	\$ 5,304	\$ -	\$ 7,667
Yearbook	8,089	5,251	4,053	-	9,287
MS yearbook	24	1,950	-	-	1,974
Fine arts	1,080	838	1,252	-	666
Honors English	45	-	-	-	45
Win With Reading	60	-	-	-	60
Media Center	67	-	54	-	13
Mock trial	58	-	59	1	-
Speech	394	682	178	-	898
All athletics	(4,787)	100,293	94,617	(612)	277
Athletic director/facilities	1	-	-	-	1
Soccer	(44)	6,084	6,040	-	-
Cross country	486	2,327	1,718	-	1,095
Football	138	-	-	(138)	-
Baseball	300	26,900	22,910	-	4,290
Boys track	-	2,162	60	-	2,102
Wrestling	1,588	2,111	2,335	-	1,364
Girls basketball	62	573	612	-	23
Volleyball	795	-	331	-	464
Girls soccer	-	713	192	-	521
Softball	1,287	10,218	13,468	-	(1,963)
Girls track	663	3,233	3,552	189	533
Girls golf	194	594	788	-	-
Book A Birthday	233	-	231	-	2
Registration	455	1,520	-	-	1,975
High school activities	807	1,527	1,337	-	997
Padlocks	140	-	-	-	140
Lakeview activities	282	3,104	3,280	-	106
Art for education	796	100	-	-	896
Lakeview pictures	325	476	384	-	417
Concessions	3,392	16,309	13,050	-	6,651
Vending machines	621	165	1,004	218	-
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, 2006

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	Balance, End of Year
High school pictures	\$ 2,327	\$ 10,671	\$ 2,223	\$ (1)	\$ 10,774
Computer training classes	1,533	-	-	-	1,533
Summer enrichment	2,405	5,202	3,060	-	4,547
Middle School band resale	472	1,546	1,555	-	463
Middle school activities	2,268	3,728	3,311	-	2,685
Middle school student supplies	5,490	6,397	4,503	-	7,384
District-wide activities	2,033	917	138	-	2,812
Instr supply fundraiser	-	1,581	1,581	-	-
LV Spartan Fund Run	-	2,633	2,633	-	-
MS Spartan Fund Run	-	2,013	2,013	-	-
HS Spartan Fund Run	-	2,400	2,398	-	2
Close-up	245	-	-	-	245
Spanish club	3,654	1,503	3,498	-	1,659
Flag corps	415	905	461	-	859
Lakeview student council	9	-	-	-	9
High school student council	1,344	2,343	2,891	-	796
Junior high student council	5,877	29,082	19,693	-	15,266
School store	40	-	-	-	40
National Honor Society	257	402	260	-	399
Peer council	320	-	-	-	320
Band	815	9,434	6,325	-	3,924
HS Cheerleading	2,493	5,849	3,777	343	4,908
SADD	591	348	605	-	334
30 days to fitness	32	-	-	-	32
Environmental club	188	28	-	-	216
YAC	1,018	-	200	-	818
Dance team	903	8,393	8,245	-	1,051
Science/math boosters	-	-	-	-	-
Vocal music	595	6,869	4,482	-	2,982
MS cheerleading	384	-	-	-	384
MS dance team	1,016	1,814	2,575	-	255
"Stage Fright" club	742	1,243	980	-	1,005
"You Can Do It" group	1,175	4,291	3,494	-	1,972

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, 2006

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of Year
HS show choir	\$ 215	\$ 2,510	\$ 2,182	\$ -	\$ 543
Senior class	1,083	888	718	(567)	686
Junior class	516	7,938	6,840	(516)	1,098
Cultural enrichment fund	258	1,461	276	-	1,443
Graduate class contributions	1,068	-	2,038	1,083	113
HS Water club	66	420	486	-	-
Lakeview water club	83	863	946	-	-
MS water club	61	110	171	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 64,184</u>	<u>\$ 319,284</u>	<u>\$ 271,367</u>	<u>\$ -</u>	<u>\$ 112,101</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>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Local sources				
Local tax	\$ 4,284,269	\$ 4,168,992	\$ 4,016,863	\$ 3,935,726
Tuition	369,739	414,282	460,436	297,548
Other	581,774	478,405	428,773	590,155
State sources	5,019,959	4,681,941	4,367,205	4,648,389
Federal sources	185,326	160,999	159,255	254,981
Total revenues	<u>\$ 10,441,067</u>	<u>\$ 9,904,619</u>	<u>\$ 9,432,532</u>	<u>\$ 9,726,799</u>
Expenditures				
Instruction				
Regular instruction	3,912,378	3,522,375	3,367,391	3,352,577
Special instruction	1,161,030	968,611	955,782	992,719
Other instruction	714,789	882,212	646,890	761,212
Support services				
Student services	138,911	133,370	170,130	137,658
Instructional staff services	597,467	471,260	598,890	712,332
Administration services	1,023,438	950,958	874,969	878,638
Operation and maintenance of plant services	1,195,883	1,196,049	945,915	932,027
Transportation services	427,022	414,093	467,611	297,535
Non-instructional programs	-	1,879	18,872	16,993
Other expenditures				
Facilities acquisition	121,754	-	191,307	3,167,434
Long-term debt				
Principal	1,875,000	523,085	489,303	505,428
Interest and other charges	561,060	476,575	496,359	501,987
AEA flowthrough	340,963	321,428	310,846	323,579
Total expenditures	<u>\$ 12,069,695</u>	<u>\$ 9,861,895</u>	<u>\$ 9,534,265</u>	<u>\$ 12,580,119</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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 17, 2006. 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, 2006 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 17, 2006

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

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. I noted that the same individual performs the following duties: 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.

- B. School Nutrition Fund Expenditures - During the audit, I noted that there were expenditures made from the School Nutrition Fund that should have been made from the Physical Plant and Equipment Levy Fund.

Recommendation - The District should correct this error by making a transfer from the Physical Plant and Equipment Levy Fund to the School Nutrition Fund. This would reimburse the School Nutrition Fund for these expenditures and report the expenditures in the proper fund. The District should review expenditures and the Code of Iowa to ensure that all expenditures are recorded in the appropriate fund.

Response - We will be more attentive of this in the future.

Conclusion - Response accepted.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

- C. Student Activity Fund Expenditures - I noted several expenditures in the Student Activity Fund that are not allowable expenditures from that fund and should be General Fund expenditures. These transactions included expenditures for staff lounge vending machines, media center and Fund Runs. These accounts appear to be more appropriate in the General Fund since they are not monies generated by students to be used for student extracurricular activities.

Recommendation - The District should review the Code of Iowa, administrative code and other guidelines regarding appropriate Student Activity Fund expenditures and ensure that only appropriate expenditures are recorded in the Student Activity Fund.

Response - We will be more attentive of the in the future and ensure that only allowable expenditures are recorded in the Student Activity Fund.

Conclusion - Response accepted.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the amended amount budgeted in the Other Expenditures function.

Recommendation - The certified budget should have been amended to sufficient amounts, in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The budget was exceeded, in part, due to the refunding of general obligation bonds. We were not aware of the accounting entries needed to properly account for this transaction in time to properly amend the budget. Even without the effect of the bond refunding, the budget would have been exceeded due to account coding changes mandated by the Iowa Department of Education which were finalized too late in the fiscal year to properly amend the budget.

Conclusion - Response accepted.

2. 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.
3. 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.
4. Business Transactions - No business transactions between the District and District officials were noted.
5. 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. 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.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted a few errors in the amounts reported in the Debt Service Fund and the Fixed Assets Fund.

Recommendation - The District should correct the items affecting beginning balances on the Certified Annual Report for the fiscal year ending June 30, 2007. The District should also ensure that the reports generated by the computer software for fixed assets are accurate before the CAR is certified in future years.

Response - We will correct the necessary balances on our FY07 CAR.

Conclusion - Response accepted.

SOLON COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant