

SOLON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

SOLON COMMUNITY SCHOOL DISTRICT
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SOLON COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Robert Upmeyer	Board President	2007
Joel Miller	Board Member	2007
Dick Schwab	Board Member	2008
Dave Asprey	Board Member	2009
Ben Pardini	Board Member	2009
(After September 2007 Election)		
Dick Schwab	Board President	2008
Dave Asprey	Board Member	2009
Ben Pardini	Board Member	2009
Dean A. Martin	Board Member	2010
Laura Reed	Board Member	2010
School Officials		
Brad Manard	Superintendent	2008
Pat Moore	District Secretary/Treasurer	2008
C. Joseph Holland	Attorney	2008

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, 2008, 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, 2008, 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 February 23, 2009 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. Other supplementary information included in Schedules 1 through 6, 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. 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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2008 appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 23, 2009

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,446,525 in fiscal 2007 to \$9,880,474 in fiscal 2008 and General Fund expenditures increased from \$9,392,447 in fiscal 2007 to \$9,757,727 in fiscal 2008. The District's General Fund balance increased from \$907,165 in fiscal 2007 to \$1,029,912 in fiscal 2008, a 13.5% increase.
- The increase in General Fund revenues was attributable to the following sources: Local – property taxes and transportation fees, State – state aid, salary improvement program (TQ) and Federal – Title I, Medicaid and restricted grants-in-aid. Expenditures increased in the following areas: salary improvement (TQ), Title I, restricted grants-in-aid, salary & benefits, open enrollment, special education tuition, special instructional programs, substitute teachers at each building level, building repairs and grounds repairs (includes snow removal).
- The difference between the percentage increase in revenues (4.5%) and percentage increase in expenditures (3.8%) resulted in an increase to the District's General Fund 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 the District.

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 and enterprise funds.

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

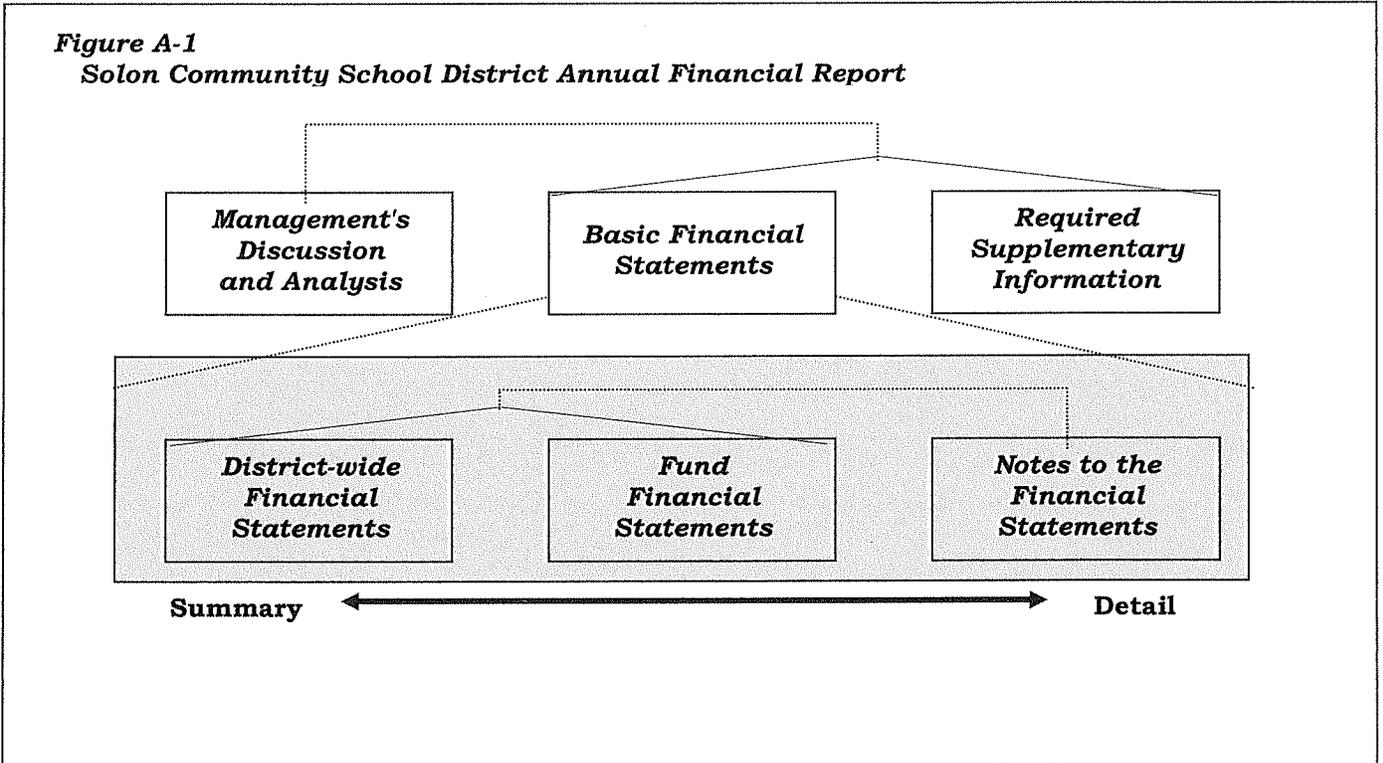


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 the water club program
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, Capital Projects Fund 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 also account for the District's internal service fund, which is an accounting device used to accumulate and allocate costs internally among the District's various functions. 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 and one internal service fund, Flex-Benefit Fund.

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

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a private-purpose trust fund.

- Private-purpose trust fund – The District accounts for outside donations for the maintenance of the Water Club in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund 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 the fiduciary fund 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, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 9,556,895	\$ 7,509,490	\$ 393,011	\$ 380,100	\$ 9,949,906	\$ 7,889,590	26.11%
Capital assets	<u>10,355,452</u>	<u>10,634,479</u>	<u>59,238</u>	<u>50,729</u>	<u>10,414,690</u>	<u>10,685,208</u>	-2.53%
Total assets	<u>19,912,347</u>	<u>18,143,969</u>	<u>452,249</u>	<u>430,829</u>	<u>20,364,596</u>	<u>18,574,798</u>	9.64%
Long-term liabilities	8,013,418	8,632,226	-	-	8,013,418	8,632,226	-7.17%
Other liabilities	<u>6,516,249</u>	<u>6,309,610</u>	<u>28,660</u>	<u>26,863</u>	<u>6,544,909</u>	<u>6,336,473</u>	3.29%
Total liabilities	<u>14,529,667</u>	<u>14,941,836</u>	<u>28,660</u>	<u>26,863</u>	<u>14,558,327</u>	<u>14,968,699</u>	-2.74%
Net assets							
Invested in capital assets, net of related debt	2,430,452	3,614,479	59,238	50,729	2,489,690	3,665,208	-32.07%
Restricted	1,506,433	141,751	-	-	1,506,433	141,751	962.73%
Unrestricted	<u>1,445,795</u>	<u>(554,097)</u>	<u>364,351</u>	<u>353,237</u>	<u>1,810,146</u>	<u>(200,860)</u>	1001.20%
Total net assets	<u>\$ 5,382,680</u>	<u>\$ 3,202,133</u>	<u>\$ 423,589</u>	<u>\$ 403,966</u>	<u>\$ 5,806,269</u>	<u>\$ 3,606,099</u>	61.01%

The District's combined net assets increased by 61%, or \$2,200,170 over 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 \$1,364,682, or approximately 963% over the prior year. The District's largest increase can be attributed to the SAVE (formerly SILO funds) program with Restricted Net Assets of \$1,272,070. Prior to the 07-08 financials, the District did not have SAVE funds.

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 – increased \$2,011,006, or approximately 1,000%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues							
Program revenues							
Charges for service and sales	\$ 902,019	\$ 862,278	\$ 721,736	\$ 758,958	\$ 1,623,755	\$ 1,621,236	0.16%
Operating grants	1,126,736	925,655	69,768	69,516	1,196,504	995,171	20.23%
General revenues							
Property tax	5,139,205	4,823,991	-	-	5,139,205	4,823,991	6.53%
Local option sales and service tax	1,450,644	-	-	-	1,450,644	-	100.00%
Unrestricted state grants	4,788,494	4,474,551	-	-	4,788,494	4,474,551	7.02%
Contributions and donations	80,013	72,048	-	-	80,013	72,048	11.06%
Unrestricted investment earnings	63,152	82,872	7,779	1,181	70,931	84,053	-15.61%
Other	<u>15,212</u>	<u>10,468</u>	<u>-</u>	<u>-</u>	<u>15,212</u>	<u>10,468</u>	45.32%
Total revenues	<u>13,565,475</u>	<u>11,251,863</u>	<u>799,283</u>	<u>829,655</u>	<u>14,364,758</u>	<u>12,081,518</u>	18.90%
Program expenses							
Governmental activities							
Instruction	6,618,818	6,278,446	-	-	6,618,818	6,278,446	5.42%
Support services	3,399,388	3,472,881	-	-	3,399,388	3,472,881	-2.12%
Non-instructional programs	7,876	5,451	779,660	746,275	787,536	751,726	4.76%
Other expenses	<u>1,358,846</u>	<u>1,417,873</u>	<u>-</u>	<u>-</u>	<u>1,358,846</u>	<u>1,417,873</u>	-4.16%
Total expenses	<u>11,384,928</u>	<u>11,174,651</u>	<u>779,660</u>	<u>746,275</u>	<u>12,164,588</u>	<u>11,920,926</u>	2.04%
Change in net assets	<u>\$ 2,180,547</u>	<u>\$ 77,212</u>	<u>\$ 19,623</u>	<u>\$ 83,380</u>	<u>\$ 2,200,170</u>	<u>\$ 160,592</u>	1270.04%

In fiscal 2008, property tax and unrestricted state grants account for 73% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$14,364,758 of which \$13,565,475 was for governmental activities and \$799,283 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 19% increase in revenues and a 2% increase in expenses. Property taxes increased \$315,214 to fund increases in expenditures. The increase in expenses related to negotiated salary and benefits for all staff, as well as increase in expenses funded by grants received by the District (Teacher Quality), special instructional programs and tuition and an unprecedented increase in grounds repair, which includes snow removal.

Governmental Activities

Revenues for governmental activities were \$13,565,475 and expenses were \$11,384,928 for the year ended June 30, 2008. In part, this difference between revenue and expenditures can be attributed to the Board's adoption of a Fiscal Management Strategy adopted in February of 2008.

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, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 6,618,818	\$ 6,278,446	5.4%	\$ 5,017,245	\$ 4,882,631	2.8%
Support services	3,399,388	3,472,881	-2.1%	3,372,521	3,448,521	-2.2%
Non-instructional programs	7,876	5,451	44.5%	7,876	5,451	44.5%
Other expenses	<u>1,358,846</u>	<u>1,417,873</u>	<u>-4.2%</u>	<u>958,531</u>	<u>1,050,115</u>	<u>-8.7%</u>
Total expenses	<u>\$ 11,384,928</u>	<u>\$ 11,174,651</u>	<u>1.9%</u>	<u>\$ 9,356,173</u>	<u>\$ 9,386,718</u>	<u>-0.3%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$902,019.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,126,736.
- The net cost of governmental activities was financed with \$5,139,205 in property taxes and \$4,788,494 in unrestricted state grants.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2008 were \$799,283 representing a 3% decrease from the prior year while expenses were \$779,660, a 4% 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, 2008, the School Nutrition Fund recognized a decrease in revenues. The expenditures increase can be attributed to a raise in bank fees/charges (PaySchools), repair of equipment, salary & benefits, breakfast groceries, dairy products and depreciation.

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 \$2,651,880, which was above last year's ending fund balances of \$1,247,971. The increase in fund balance can be attributed to many factors. A few of the factors were the Fiscal Management Strategy, other cost-containing measures used by the District and revenue from SAVE (formerly SILO) beginning with the 2007-2008 fiscal year.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The District's General Fund showed moderate improvement. Growth during the year in surtaxes, transportation fees, donations and categorical funding attributed to an increase in revenues.
- The General Fund balance increased from \$907,165 to \$1,029,912, as a result of a larger spread between current assets and liabilities. Cash and investments showed improvement over the prior fiscal year. Asset totals inflated largely due to the succeeding years property taxes being recognized on the District's financials. Along these same lines, the liabilities increased substantially due to the succeeding years property taxes being recognized on the financials – on the liability side as a deferred revenue.
- The Capital Projects fund balance increased from \$102 at June 30, 2007 to \$1,272,070 at June 30, 2008 due to the start of the local option sales and services tax on July 1, 2007.
- The Debt Service Fund balance increased from \$132,762 at June 30, 2007 to \$138,681 at June 30, 2008 due to increased property tax collections.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$403,966 at June 30, 2007 to \$423,589 at June 30, 2008, representing an increase of approximately 4%. Current assets showed an increase in Cash/Investments. Liabilities showed an increase as well in the areas of interfund payables and payroll deductions/withholdings. Interfund payables were for transportation and facility/equipment rental. This resulted in an overall net asset increase for the Enterprise Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Solon Community School District amended its annual budget one time to reallocate expenditures among the four functions and increase expenditures for fuel and facility improvements.

The District's revenues were \$11,739 more than budgeted revenues, a variance of less than 1%. Areas that contributed to this variance were revenues in tuition, income surtaxes, investment earnings, donations and charge for services income.

Total expenditures were \$562,412 less than budgeted. The adoption of a Fiscal Management Strategy by the Board of Education aided in this position. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$10,414,690, 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% 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 \$630,511.

The original cost of the District's capital assets was \$19,485,733. Governmental funds account for \$19,402,566, with the remainder of \$83,167 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings category totaled \$113,269 at June 30, 2007 compared to \$219,415 at June 30, 2008. This increase resulted from resurfacing the parking lot and other small land improvement projects.

Figure A-6

	Capital Assets, Net of Depreciation						
	Business Type						Total
	Governmental Activities		Activities		Total District		Change
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 582,068	\$ 582,068	\$ -	\$ -	\$ 582,068	\$ 582,068	0.00%
Buildings and improvements	9,015,273	9,420,562	-	-	9,015,273	9,420,562	-4.30%
Improvements, other than buildings	219,415	113,269	-	-	219,415	113,269	93.71%
Furniture and equipment	538,696	518,580	59,238	50,729	597,934	569,309	5.03%
Totals	<u>\$ 10,355,452</u>	<u>\$ 10,634,479</u>	<u>\$ 59,238</u>	<u>\$ 50,729</u>	<u>\$ 10,414,690</u>	<u>\$ 10,685,208</u>	-2.53%

Long-Term Debt

At June 30, 2008, the District had \$8,013,418 in general obligation and other long-term debt outstanding. This represents a decrease of 7% 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.

Figure A-7

	Outstanding Long-term Obligations		
	Total	Total	Total
	School District	School District	Change
	2008	2007	2007-2008
General obligation bonds	\$ 7,845,000	\$8,320,000	-5.71%
Capital loan notes	80,000	160,000	-50.00%
Compensated absences	22,755	20,900	8.88%
Early retirement	65,663	131,326	-50.00%
Total	<u>\$ 8,013,418</u>	<u>\$8,632,226</u>	-7.17%

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 District budgeted \$279,000 for Cash Reserve. This money is meant to be used to help fund the District's unspent balance and increase in certified enrollment and open enrolled students not on prior year count. 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 placed the SILO (School Infrastructure Local Option Sales & Service Tax – now known as Secure an Advanced Vision for Education) ballot question before the voters in February 2008. Both measures passed and are used to fund the facility needs of the District. The District began receiving funds beginning with 2007-2008 fiscal year.
- The Board adopted a Fiscal Management Strategy plan. It is intent with the implementation and continuance of this plan, that the District will begin to see financial improvements. Improvements in financial condition can improve the District's standings in respect to ISCAP borrowing capacity (less borrowing needed as District grows stronger) and also bond rating of the District. The better bond rating of a District equates to lower interest rates.

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 District 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, 2008

Exhibit A

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 1,547,309	\$ -	\$ 1,547,309
Other	2,663,452	389,459	3,052,911
Receivables			
Property tax			
Delinquent	24,387	-	24,387
Succeeding year	4,440,834	-	4,440,834
Accounts receivable	126,133	-	126,133
Income surtax	433,638	-	433,638
Accrued interest			
ISCAP	7,169	-	7,169
Due from other governments	297,918	-	297,918
Due from other fund	16,055	-	16,055
Inventories	-	3,552	3,552
Non-depreciable capital assets	582,068	-	582,068
Capital assets, net of accumulated depreciation	<u>9,773,384</u>	<u>59,238</u>	<u>9,832,622</u>
Total assets	<u>19,912,347</u>	<u>452,249</u>	<u>20,364,596</u>
Liabilities			
Accounts payable	230,177	358	230,535
Salaries and benefits payable	229,570	12,247	241,817
Accrued interest payable	49,872	-	49,872
Due to other fund	-	16,055	16,055
Deferred revenue			
Succeeding year property tax	4,440,834	-	4,440,834
ISCAP warrants payable	1,537,000	-	1,537,000
ISCAP accrued interest payable	7,732	-	7,732
ISCAP unamortized premium	21,064	-	21,064
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	495,000	-	495,000
Capital loan notes payable	80,000	-	80,000
Early retirement payable	65,663	-	65,663
Portion due after one year			
General obligation bonds payable	7,350,000	-	7,350,000
Compensated absences payable	<u>22,755</u>	<u>-</u>	<u>22,755</u>
Total liabilities	<u>14,529,667</u>	<u>28,660</u>	<u>14,558,327</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Net Assets
 June 30, 2008

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,430,452	\$ 59,238	\$ 2,489,690
Restricted for			
Management levy	37,221	-	37,221
Physical plant and equipment levy	11,653	-	11,653
Debt service	88,809	-	88,809
Other special revenue purposes	96,680	-	96,680
Capital projects	1,272,070	-	1,272,070
Unrestricted	<u>1,445,795</u>	<u>364,351</u>	<u>1,810,146</u>
Total net assets	<u>\$ 5,382,680</u>	<u>\$ 423,589</u>	<u>\$ 5,806,269</u>

See notes to financial statements.

SOLOM COMMUNITY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2008

Exhibit B

Functions/Programs Primary Government Governmental activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Instruction							
Regular instruction	\$ 4,488,234	\$ 771,531	\$ 582,426	\$ -	\$(3,134,277)	-	\$(3,134,277)
Special instruction	1,335,642	92,568	134,293	-	(1,108,781)	-	(1,108,781)
Other instruction	794,942	13,455	7,300	-	(774,187)	-	(774,187)
	6,618,818	877,554	724,019	-	(5,017,245)	-	(5,017,245)
Support services							
Student	129,669	-	-	-	(129,669)	-	(129,669)
Instructional staff	471,175	-	-	-	(471,175)	-	(471,175)
Administration	1,137,696	-	-	-	(1,137,696)	-	(1,137,696)
Operation and maintenance of plant	1,215,853	7,246	-	-	(1,208,607)	-	(1,208,607)
Transportation	444,995	17,219	2,402	-	(425,374)	-	(425,374)
	3,399,388	24,465	2,402	-	(3,372,521)	-	(3,372,521)
	7,876	-	-	-	(7,876)	-	(7,876)
Non-instructional programs							
Other expenses	228,583	-	-	-	(228,583)	-	(228,583)
Facilities acquisition	318,786	-	-	-	(318,786)	-	(318,786)
Long-term debt interest	400,315	-	400,315	-	-	-	-
AEA flowthrough	411,162	-	-	-	(411,162)	-	(411,162)
Depreciation (unallocated) *	1,358,846	-	400,315	-	(958,531)	-	(958,531)
	11,384,928	902,019	1,126,736	-	(9,356,173)	-	(9,356,173)
Total governmental activities							

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2008

Exhibit B

<u>Functions/Programs (continued)</u> Primary Government (continued) Business type activities Non-instructional programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Food service operations Before & After program Preschool program Total business type activities Total primary government	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	\$ 486,657	\$ 384,834	\$ 69,768	\$ -	\$ (32,055)	\$ (32,055)
	242,149	286,652	-	-	44,503	44,503
	50,854	50,250	-	-	(604)	(604)
	779,660	721,736	69,768	-	11,844	11,844
	\$12,164,588	\$1,623,755	\$1,196,504	(9,356,173)	11,844	(9,344,329)
<u>General Revenues</u>						
Property tax levied for				3,923,365	-	3,923,365
General purposes				789,420	-	789,420
Debt service				426,420	-	426,420
Capital outlay				1,450,644	-	1,450,644
Local option sales and services tax				4,788,494	-	4,788,494
Unrestricted state grants				80,013	-	80,013
Contributions and donations				63,152	7,779	70,931
Unrestricted investment earnings				15,212	-	15,212
Other				11,536,720	7,779	11,544,499
Total general revenues				2,180,547	19,623	2,200,170
Change in net assets				3,202,133	403,966	3,606,099
Net assets, beginning of year				\$ 5,382,680	\$ 423,589	\$ 5,806,269

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

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets					
Cash and pooled investments					
ISCAP	\$1,547,309	\$ -	\$ -	\$ -	\$1,547,309
Other	1,255,831	1,021,785	138,999	216,335	2,632,950
Receivables					
Property tax					
Delinquent	16,026	-	4,682	3,679	24,387
Succeeding year	2,974,855	-	793,073	672,906	4,440,834
Accounts receivable	126,133	-	-	-	126,133
Accrued interest					
ISCAP	7,169	-	-	-	7,169
Income surtax	433,638	-	-	-	433,638
Due from other governments	46,876	251,042	-	-	297,918
Due from other funds	13,730	-	-	-	13,730
Total assets and other debits	<u>\$6,421,567</u>	<u>\$1,272,827</u>	<u>\$936,754</u>	<u>\$892,920</u>	<u>\$9,524,068</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 220,623	\$ 757	\$ -	\$ 8,797	\$ 230,177
Salaries and benefits payable	196,743	-	-	-	196,743
Matured bond payable	-	-	5,000	-	5,000
ISCAP warrants payable	1,537,000	-	-	-	1,537,000
ISCAP accrued interest payable	7,732	-	-	-	7,732
ISCAP unamortized premium	21,064	-	-	-	21,064
Deferred revenue					
Succeeding year property tax	2,974,855	-	793,073	672,906	4,440,834
Income surtax	433,638	-	-	-	433,638
Total liabilities	<u>5,391,655</u>	<u>757</u>	<u>798,073</u>	<u>681,703</u>	<u>6,872,188</u>
Fund balances					
Reserved for					
Debt service	-	-	138,681	-	138,681
At risk program	22,719	-	-	-	22,719
Beginning Teacher Mentoring program	5,163	-	-	-	5,163
Professional Development program	32,779	-	-	-	32,779
Market Factor program	9,912	-	-	-	9,912
Cultural Enrichment program	3,289	-	-	-	3,289
Unreserved, governmental funds	956,050	1,272,070	-	-	2,228,120
Unreserved, special revenue funds	-	-	-	211,217	211,217
Total fund balances	<u>1,029,912</u>	<u>1,272,070</u>	<u>138,681</u>	<u>211,217</u>	<u>2,651,880</u>
Total liabilities and fund balances	<u>\$6,421,567</u>	<u>\$1,272,827</u>	<u>\$936,754</u>	<u>\$892,920</u>	<u>\$9,524,068</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2008

Exhibit D

Total fund balances of governmental funds	\$2,651,880
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.	10,355,452
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	433,638
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.	(49,872)
Long-term liabilities, including bonds and notes payable, compensated absences and early retirement termination benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(8,008,418)</u>
Net assets of governmental activities	<u>\$5,382,680</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$3,230,296	\$1,450,644	\$789,420	\$626,043	\$6,096,403
Tuition	454,727	-	-	-	454,727
Other	220,411	6,861	7,384	371,011	605,667
State sources	5,769,420	-	-	-	5,769,420
Federal sources	205,620	-	-	-	205,620
Total revenues	<u>9,880,474</u>	<u>1,457,505</u>	<u>796,804</u>	<u>997,054</u>	<u>13,131,837</u>
Expenditures					
Current					
Instruction					
Regular	4,456,940	-	-	50,146	4,507,086
Special	1,332,183	-	-	-	1,332,183
Other	453,155	-	-	345,206	798,361
	<u>6,242,278</u>	<u>-</u>	<u>-</u>	<u>395,352</u>	<u>6,637,630</u>
Support services					
Student	129,669	-	-	-	129,669
Instructional staff	409,946	185,537	-	-	595,483
Administration	1,123,161	-	-	-	1,123,161
Operation and maintenance of plant	1,061,152	-	-	149,269	1,210,421
Transportation	391,206	-	-	-	391,206
Other support	-	-	-	-	-
	<u>3,115,134</u>	<u>185,537</u>	<u>-</u>	<u>149,269</u>	<u>3,449,940</u>
Other expenditures					
Facilities acquisition	-	-	-	363,038	363,038
Long-term debt					
Principal	-	-	555,000	-	555,000
Interest and fiscal charges	-	-	322,005	-	322,005
AEA flowthrough	400,315	-	-	-	400,315
	<u>400,315</u>	<u>-</u>	<u>877,005</u>	<u>363,038</u>	<u>1,640,358</u>
Total expenditures	<u>9,757,727</u>	<u>185,537</u>	<u>877,005</u>	<u>907,659</u>	<u>11,727,928</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 122,747	\$1,271,968	\$ (80,201)	\$ 89,395	\$1,403,909
Other financing sources (uses)					
Interfund operating transfers in	-	-	86,120	-	86,120
Interfund operating transfers (out)	-	-	-	(86,120)	(86,120)
Total other financing sources (uses)	-	-	86,120	(86,120)	-
Net change in fund balances	122,747	1,271,968	5,919	3,275	1,403,909
Fund balance, beginning of year	907,165	102	132,762	207,942	1,247,971
Fund balance, end of year	<u>\$1,029,912</u>	<u>\$1,272,070</u>	<u>\$138,681</u>	<u>\$211,217</u>	<u>\$2,651,880</u>

See notes to financial statements.

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, 2008

Exhibit F

Net change in fund balances - total governmental funds \$ 1,403,909

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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$341,251	
Depreciation expense	<u>(620,278)</u>	(279,027)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 433,638

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. 550,000

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 governmental funds, as follows:

Early retirement	\$ 65,663	
Compensated absences	<u>(1,855)</u>	63,808

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. 8,219

Change in net assets of governmental activities \$ 2,180,547

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Net Assets
 Proprietary Funds
 June 30, 2008

Exhibit G

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>
Assets		
Cash and pooled investments	\$389,459	\$ 30,502
Due from other fund	-	2,325
Inventories	3,552	-
Capital assets, net of accumulated depreciation	59,238	-
Total assets	<u>452,249</u>	<u>32,827</u>
Liabilities		
Accounts payable	358	-
Salaries and benefits payable	12,247	32,827
Due to other funds	16,055	-
Total liabilities	<u>28,660</u>	<u>32,827</u>
Net Assets		
Invested in capital assets	59,238	-
Unrestricted	364,351	-
Total net assets	<u>\$423,589</u>	<u>\$ -</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2008

Exhibit H

	Business Type <u>Activities</u>	Governmental <u>Activity</u>
	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>
Operating revenue		
Local sources		
Charges for service	<u>\$721,736</u>	<u>\$ 32,827</u>
Operating expenses		
Instruction		
Regular		
Salaries	31,178	-
Benefits	16,446	-
Purchased services	24	-
Supplies	<u>2,671</u>	-
	<u>50,319</u>	-
Support services		
Administration		
Purchased services	<u>6,486</u>	-
Operation and maintenance of plant		
Purchased services	<u>17,803</u>	-
Non-instructional programs		
Salaries	319,367	-
Benefits	83,265	32,827
Purchased services	19,255	-
Supplies	271,883	-
Miscellaneous	1,049	-
Depreciation	<u>10,233</u>	-
	<u>705,052</u>	<u>32,827</u>
Total operating expenses	<u>779,660</u>	<u>32,827</u>
Operating loss	<u>(57,924)</u>	-
Non-operating revenue		
Interest income	7,779	-
State sources	4,965	-
Federal sources	<u>64,803</u>	-
Total non-operating revenue	<u>77,547</u>	-
Net income	19,623	-
Net assets, beginning of year	403,966	-
Net assets, end of year	<u><u>\$423,589</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2008

Exhibit I

	<u>Business Type</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activity</u>
	<u>Nonmajor</u>	<u>Internal</u>
	<u>Enterprise</u>	<u>Service</u>
Cash flows from operating activities		
Cash received from sale of services	\$ 721,736	\$30,502
Cash payments to employees for services	(448,817)	-
Cash payments to suppliers for goods and services	(312,383)	-
Net cash provided by (used in) operating activities	<u>(39,464)</u>	<u>30,502</u>
Cash flows from non-capital financing activities		
State grants received	4,965	-
Federal grants received	57,706	-
Net cash provided by non-capital financing activities	<u>62,671</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(18,742)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>7,779</u>	<u>-</u>
Net increase in cash and cash equivalents	12,244	30,502
Cash and cash equivalents, beginning of year	<u>377,215</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 389,459</u>	<u>\$30,502</u>

Reconciliation of operating loss to net cash provided by (used in) operating activities

Operating loss	\$ (57,924)	\$ -
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	10,233	-
Commodities used	7,097	-
(Increase) in due from other fund	-	(2,325)
(Increase) in inventory	(667)	-
Increase in accounts payable	358	-
Increase in due to other funds	4,837	-
Increase in accrued salaries and benefits	(3,398)	32,827
Net cash provided by (used in) operating activities	<u>\$ (39,464)</u>	<u>\$30,502</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2008, the District received \$7,097 of federal commodities.

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2008

Exhibit J

	<u>Private Purpose Trust Water Club</u>
Assets	
Cash and pooled investments	\$ 2,227
Liabilities	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$ 2,227</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Fund
 For the Year Ended June 30, 2008

Exhibit K

	<u>Private Purpose Trust Water Club</u>
Additions	
Local sources	
Miscellaneous	\$1,280
Deductions	
Support services	
Operation and maintenance of plant	351
Non-instructional programs	
Other enterprise operations	<u>1,176</u>
Total deductions	<u>1,527</u>
Change in net assets	(247)
Net assets, beginning of year	<u>2,474</u>
Net assets, end of year	<u>\$2,227</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

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 not meeting 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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. Additionally, the District reports a nonmajor proprietary internal service fund to account for employee flexible benefits.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District which benefit individuals through various activities of the Water Club.

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, claims and judgments, compensated absences 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 funds are 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 financial statements:

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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 taxes withheld from paychecks and insurance benefits, which are payable in July and August, have been accrued as liabilities.

Early Retirement Termination Benefits - 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, 2008. 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 sick leave 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, 2008. 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 and income surtax 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 Balance - 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.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$48,874 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2008 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.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$18,362

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Enterprise	\$ 13,730
Internal Service	Nonmajor Enterprise	<u>2,325</u>
Total		<u>\$ 16,055</u>

The School Nutrition Fund is paying the General Fund for rental of facilities and the Before & After Fund is paying the General Fund for use of buses for fieldtrips. The School Nutrition and Before & After funds owe the Internal Service – Flex Benefits Fund for employee benefits. These amounts will be paid during the year ending June 30, 2008.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Fund	Transfers	
	In	Out
Debt Service	\$ 86,120	\$ -
Non-major special revenue fund	<u>-</u>	<u>86,120</u>
Total	<u>\$ 86,120</u>	<u>\$ 86,120</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the non-major special revenue fund, Physical Plant and Equipment Levy Fund to the Debt Service Fund were to make the principal and interest payments on the capital loan notes.

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, 2008, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2007-08B	1/23/08	1/23/09	\$ 450,442	\$ 6,753	\$ 449,000	\$ 7,315	\$ 2,405
2008-09A	6/26/08	6/25/09	<u>1,096,867</u>	<u>416</u>	<u>1,088,000</u>	<u>417</u>	<u>18,659</u>
			<u>\$ 1,547,309</u>	<u>\$ 7,169</u>	<u>\$ 1,537,000</u>	<u>\$ 7,732</u>	<u>\$ 21,064</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant

amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance, Beginning of Year	Advances Received	Advances Repaid	Balance, End of Year
2007-08A	\$ -	\$ 600,000	\$ 600,000	\$ -

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.50%	5.455%
2007-08B	3.75%	3.451%
2008-09A	3.50%	3.469%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 582,068	\$ -	\$ -	\$ 582,068
Capital assets being depreciated:				
Buildings and improvements	16,396,240	-	-	16,396,240
Improvements other than buildings	425,939	142,018	-	567,957
Furniture and equipment	1,657,068	199,233	-	1,856,301
Total capital assets being depreciated	18,479,247	341,251	-	18,820,498
Less accumulated depreciation for:				
Buildings and improvements	6,975,678	405,289	-	7,380,967
Improvements other than buildings	312,670	35,872	-	348,542
Furniture and equipment	1,138,488	179,117	-	1,317,605
Total accumulated depreciation	8,426,836	620,278	-	9,047,114
Total capital assets being depreciated, net	10,052,411	(279,027)	-	9,773,384
Governmental activities capital assets, net	\$ 10,634,479	\$(279,027)	\$ -	\$ 10,355,452

Business type activities

Furniture and equipment	\$ 64,425	\$ 18,742	\$ -	\$ 83,167
Less accumulated depreciation	<u>13,696</u>	<u>10,233</u>	<u>-</u>	<u>23,929</u>
Business-type activities capital assets, net	<u>\$ 50,729</u>	<u>\$ 8,509</u>	<u>\$ -</u>	<u>\$ 59,238</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 31,293
Special	3,459
Other	31,222
Support services	
Instructional staff	54,446
Administration	21,599
Operation and maintenance of plant	5,432
Transportation	53,789
Non-instructional programs	7,876
Unallocated depreciation	<u>411,162</u>
Total governmental activities depreciation expense	<u>\$ 620,278</u>

Business type activities

Food service operations	<u>\$ 10,233</u>
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Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 8,315,000	\$ -	\$(475,000)	\$ 7,840,000	\$ 495,000
Capital loan notes	160,000	-	(80,000)	80,000	80,000
Compensated absences	20,900	22,755	(20,900)	22,755	-
Early retirement	<u>131,326</u>	<u>-</u>	<u>(65,663)</u>	<u>65,663</u>	<u>65,663</u>
Totals	<u>\$ 8,627,226</u>	<u>\$ 22,755</u>	<u>\$(641,563)</u>	<u>\$ 8,008,418</u>	<u>\$ 640,663</u>

Interest costs incurred and charged to expense on all long-term debt was \$318,786 for the year ended June 30, 2008.

Early Retirement Termination Benefits

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, 2008 totaled \$65,663.

Bonds

Details of the District’s June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	2-1-06 Issue		
	Interest Rates	Principal	Interest
2009	3.75%	\$ 495,000	\$ 297,673
2010	3.75%	510,000	279,110
2011	3.75%	530,000	259,985
2012	3.75%	825,000	240,110
2013	3.75%	590,000	209,172
2014-2018	3.75-3.85%	3,280,000	697,860
2019-2021	3.9-4.0%	<u>1,610,000</u>	<u>107,195</u>
Totals		<u>\$ 7,840,000</u>	<u>\$ 2,091,105</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, which has 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. The bond is included in the Debt Service Fund liabilities since the bond has matured.

Refunded General Obligation Bonds

In a prior year, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable escrow account held by a fiscal agent on behalf of the District. Funds in this escrow account will be used to pay the principal and interest on the refunded general obligation bonds.

Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2008 \$6,860,000 of bonds outstanding are considered to be defeased.

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. A final payment of \$80,000 plus interest of \$3,120 will be paid during the year ending June 30, 2009. This debt is paid through the Special Revenue, Physical Plant and Equipment Levy fund.

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 were required to contribute 3.90% of their annual covered salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$365,413, \$327,899 and \$308,619 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 \$400,315 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Required Supplementary Information

SOLOM COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Funds
Required Supplementary Information
For the Year Ended June 30, 2008

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$ 7,156,797		\$ 729,515		\$ 7,886,312	\$ 7,870,732	\$ 7,870,732	\$ 15,580
State sources	5,769,420		4,965		5,774,385	5,807,672	5,807,672	(33,287)
Federal sources	205,620		64,803		270,423	240,977	240,977	29,446
Total revenues	<u>13,131,837</u>		<u>799,283</u>		<u>13,931,120</u>	<u>13,919,381</u>	<u>13,919,381</u>	<u>11,739</u>
Expenditures/Expenses								
Instruction	6,637,630		50,319		6,687,949	6,352,146	6,900,000	212,051
Support services	3,449,940		24,289		3,474,229	3,647,140	3,680,000	205,771
Non-instructional programs	-		705,052		705,052	905,500	815,000	109,948
Other expenditures	1,640,358		-		1,640,358	1,838,735	1,675,000	34,642
Total expenditures/expenses	<u>11,727,928</u>		<u>779,660</u>		<u>12,507,588</u>	<u>12,743,521</u>	<u>13,070,000</u>	<u>562,412</u>
Excess of revenues over expenditures/expenses								
Balance, beginning of year	1,403,909		19,623		1,423,532	1,175,860	849,381	574,151
Balance, end of year	<u>1,247,971</u>		<u>403,966</u>		<u>1,651,937</u>	<u>8,624,811</u>	<u>8,624,811</u>	<u>(6,972,874)</u>
	<u>\$ 2,651,880</u>		<u>\$ 423,589</u>		<u>\$ 3,075,469</u>	<u>\$ 9,800,671</u>	<u>\$ 9,474,192</u>	<u>\$(6,398,723)</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust 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. 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 function 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 increasing budgeted expenditures by \$326,479.

Other Supplementary Information

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2008

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	\$101,734	\$ 99,378	\$ 15,223	\$216,335
Receivables				
Property tax				
Delinquent	1,150	-	2,529	3,679
Succeeding year	220,001	-	452,905	672,906
Total assets	<u>\$322,885</u>	<u>\$ 99,378</u>	<u>\$470,657</u>	<u>\$892,920</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 2,698	\$ 6,099	\$ 8,797
Deferred revenue				
Succeeding year property tax	220,001	-	452,905	672,906
Total liabilities	220,001	2,698	459,004	681,703
 Fund balances				
Unreserved fund balances	102,884	96,680	11,653	211,217
Total liabilities and fund balances	<u>\$322,885</u>	<u>\$ 99,378</u>	<u>\$470,657</u>	<u>\$892,920</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, 2008

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	\$199,622	\$ -	\$426,421	\$626,043
Other	<u>16,556</u>	<u>350,695</u>	<u>3,760</u>	<u>371,011</u>
Total revenues	<u>216,178</u>	<u>350,695</u>	<u>430,181</u>	<u>997,054</u>
 Expenditures				
Current				
Instruction				
Regular	50,146	-	-	50,146
Other	<u>-</u>	<u>345,206</u>	<u>-</u>	<u>345,206</u>
Total instruction	50,146	345,206	-	395,352
Support services				
Operation and maintenance of plant	140,151	9,118	-	149,269
Other expenditures				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>363,038</u>	<u>363,038</u>
Total expenditures	<u>190,297</u>	<u>354,324</u>	<u>363,038</u>	<u>907,659</u>
 Excess (deficiency) of revenues over (under) expenditures	25,881	(3,629)	67,143	89,395
Other financing sources (uses)				
Interfund operating transfers (out)	<u>-</u>	<u>-</u>	<u>(86,120)</u>	<u>(86,120)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(86,120)</u>	<u>(86,120)</u>
Net change in fund balances	25,881	(3,629)	(18,977)	3,275
Fund balances, beginning of year	<u>77,003</u>	<u>100,309</u>	<u>30,630</u>	<u>207,942</u>
 Fund balances, end of year	<u>\$102,884</u>	<u>\$ 96,680</u>	<u>\$ 11,653</u>	<u>\$211,217</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2008

Schedule 3

	<u>School Nutrition</u>	<u>Before & After</u>	<u>Preschool</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$248,216	\$113,220	\$28,023	\$389,459
Inventories	3,552	-	-	3,552
Capital assets, net of accumulated depreciation	59,238	-	-	59,238
Total assets	<u>311,006</u>	<u>113,220</u>	<u>28,023</u>	<u>452,249</u>
Liabilities				
Accounts payable	-	358	-	358
Salaries and benefits payable	6,196	2,869	3,182	12,247
Due to other funds	7,902	7,328	825	16,055
Total liabilities	<u>14,098</u>	<u>10,555</u>	<u>4,007</u>	<u>28,660</u>
Net Assets				
Invested in capital assets	59,238	-	-	59,238
Unrestricted	237,670	102,665	24,016	364,351
Total net assets	<u>\$296,908</u>	<u>\$102,665</u>	<u>\$24,016</u>	<u>\$423,589</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, 2008

Schedule 4

	School <u>Nutrition</u>	Before & <u>After</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue				
Local sources				
Charges for service	\$384,834	\$286,652	\$50,250	\$721,736
Operating expenses				
Instruction				
Regular				
Salaries	-	-	31,178	31,178
Benefits	-	-	16,446	16,446
Purchased services	-	-	24	24
Supplies	-	-	2,671	2,671
	-	-	50,319	50,319
Support services				
Administration				
Purchased services	2,668	3,283	535	6,486
Operation and maintenance of plant				
Purchased services	17,354	449	-	17,803
Non-instructional programs				
Salaries	165,049	154,318	-	319,367
Benefits	55,254	28,011	-	83,265
Purchased services	-	19,255	-	19,255
Supplies	235,050	36,833	-	271,883
Miscellaneous	1,049	-	-	1,049
Depreciation	10,233	-	-	10,233
	466,635	238,417	-	705,052
Total operating expenses	486,657	242,149	50,854	779,660
Operating income (loss)	(101,823)	44,503	(604)	(57,924)
Non-operating revenue				
Interest income	7,670	79	30	7,779
State sources	4,965	-	-	4,965
Federal sources	64,803	-	-	64,803
Total non-operating revenue	77,438	79	30	77,547
Net income	(24,385)	44,582	(574)	19,623
Net assets, beginning of year	321,293	58,083	24,590	403,966
Net assets, end of year	\$296,908	\$102,665	\$24,016	\$423,589

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT
 Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2008

Schedule 5

	<u>School</u>	<u>Before &</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>	<u>After</u>		
Cash flows from operating activities				
Cash received from sale of services	\$ 384,834	\$286,652	\$50,250	\$721,736
Cash payments to employees for services	(218,752)	(179,836)	(50,229)	(448,817)
Cash payments to suppliers for goods and services	<u>(249,691)</u>	<u>(59,462)</u>	<u>(3,230)</u>	<u>(312,383)</u>
Net cash provided by (used in) operating activities	<u>(83,609)</u>	<u>47,354</u>	<u>(3,209)</u>	<u>(39,464)</u>
Cash flows from non-capital financing activities				
State grants received	4,965	-	-	4,965
Federal grants received	<u>57,706</u>	<u>-</u>	<u>-</u>	<u>57,706</u>
Net cash provided by non-capital financing activities	<u>62,671</u>	<u>-</u>	<u>-</u>	<u>62,671</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(18,742)</u>	<u>-</u>	<u>-</u>	<u>(18,742)</u>
Cash flows from investing activities				
Interest on investments	<u>7,670</u>	<u>79</u>	<u>30</u>	<u>7,779</u>
Net increase (decrease) in cash and cash equivalents	(32,010)	47,433	(3,179)	12,244
Cash and cash equivalents, beginning of year	280,226	65,787	31,202	377,215
Cash and cash equivalents, end of year	<u>\$ 248,216</u>	<u>\$113,220</u>	<u>\$28,023</u>	<u>\$389,459</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities

Operating income (loss)	\$(101,823)	\$ 44,503	\$ (604)	\$ (57,924)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	10,233	-	-	10,233
Commodities used	7,097	-	-	7,097
(Increase) in inventory	(667)	-	-	(667)
Increase in accounts payable	-	358	-	358
Increase in due to other funds	1,500	2,512	825	4,837
Increase (decrease) in accrued salaries and benefits	<u>51</u>	<u>(19)</u>	<u>(3,430)</u>	<u>(3,398)</u>
Net cash provided by (used in) operating activities	<u>\$ (83,609)</u>	<u>\$ 47,354</u>	<u>\$ (3,209)</u>	<u>\$ (39,464)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$7,097 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, 2008

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
Drama	\$ 6,499	\$ 15,193	\$ 16,785	\$ -	\$ 4,907
Yearbook	9,213	5,719	4,479	-	10,453
MS yearbook	3,868	3,170	2,625	-	4,413
Fine arts	844	749	398	-	1,195
Honors English	45	-	-	-	45
Win With Reading	60	-	-	-	60
Media Center	-	100	67	-	33
Speech	1,197	340	550	-	987
All athletics	3,228	119,031	144,037	23,000	1,222
Athletic director/facilities	1	-	-	-	1
Soccer	-	157	-	-	157
Cross country	1,299	2,844	2,141	-	2,002
Football	-	11,795	3,111	-	8,684
Baseball	1,044	19,938	19,008	-	1,974
Boys track	1,490	3,180	2,792	-	1,878
Boys golf	-	1,171	1,134	-	37
Wrestling	577	5,478	6,132	77	-
Girls basketball	23	1,855	1,433	-	445
Volleyball	464	400	480	-	384
Girls soccer	298	1,264	985	-	577
Softball	(5,101)	27,329	20,704	-	1,524
Girls track	542	3,481	3,303	-	720
Girls golf	-	566	566	-	-
Book A Birthday	2	-	-	-	2
Registration	1,943	-	1,913	-	30
High school activities	678	3,051	2,723	-	1,006
Padlocks	220	26	-	-	246
Lakeview activities	189	-	-	-	189
Art for education	896	50	945	-	1
Lakeview pictures	863	701	1,313	(84)	167
Concessions	7,069	14,589	17,403	-	4,255
Petty cash	43	-	-	-	43
High school pictures	6,355	4,060	1,629	(500)	8,286
Computer training classes	1,477	68	-	-	1,545
Summer enrichment	5,062	3,053	6,922	-	1,193
Middle School band resale	473	1,466	1,431	-	508
Middle school student supplies	-	785	-	-	785

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, 2008

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Middle school activities	\$ -	\$ 8,549	\$ 11,067	\$ 2,550	\$ 32
District-wide activities	2,076	1,247	304	-	3,019
HS Spartan Fund Run	2	-	-	-	2
HS robotics club	139	6,135	4,394	-	1,880
Close-up	245	-	-	-	245
Spanish club	4,221	3,255	5,527	-	1,949
Flag corps	17	886	869	-	34
Lakeview student council	9	-	-	-	9
High school student council	594	1,468	2,132	70	-
Junior high student council	23,259	10,270	7,121	(25,550)	858
School store	40	-	-	-	40
National Honor Society	589	-	161	-	428
Peer council	320	-	-	-	320
Band	3,593	11,097	12,406	90	2,374
HS Cheerleading	1,386	8,331	7,213	(974)	1,530
SADD	1,086	594	845	-	835
30 days to fitness	32	-	-	-	32
Environmental club	447	656	315	-	788
YAC	618	-	200	-	418
Dance team	1,612	13,607	14,327	(90)	802
Vocal music	2,848	7,398	8,171	-	2,075
MS cheerleading	384	6,970	-	-	7,354
MS dance team	584	2,082	2,603	-	63
"Stage Fright" club	934	-	334	-	600
"You Can Do It" group	1,360	225	248	-	1,337
HS show choir	110	1,870	1,242	-	738
MS show choir	464	1,540	592	-	1,412
GSA gay straight alliance	74	209	-	-	283
Senior class	1,282	1,341	1,139	(851)	633
Junior class	431	9,432	6,895	(431)	2,537
HS wrestling cheerleaders	-	936	200	974	1,710
FBLA	-	483	530	500	453
Cultural enrichment fund	1	-	-	-	1
Graduate class contributions	800	-	-	1,135	1,935
Lakeview water club	(109)	25	-	84	-
Joey Kaiser memorial fund	-	480	480	-	-
Totals	\$ 100,309	\$ 350,695	\$ 354,324	\$ -	\$ 96,680

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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues				
Local sources				
Local tax	\$ 6,096,403	\$ 4,681,730	\$ 4,284,269	\$4,168,992
Tuition	454,727	455,383	369,739	414,282
Other	605,667	561,951	581,774	478,405
State sources	5,769,420	5,291,614	5,019,959	4,681,941
Federal sources	205,620	261,185	185,326	160,999
Total revenues	<u>\$13,131,837</u>	<u>\$11,251,863</u>	<u>\$10,441,067</u>	<u>\$9,904,619</u>
Expenditures				
Current				
Instruction				
Regular	\$ 4,507,086	\$ 4,312,966	\$ 3,912,378	\$3,522,375
Special	1,332,183	1,199,336	1,161,030	968,611
Other	798,361	758,279	714,789	882,212
Support services				
Student	129,669	138,969	138,911	133,370
Instructional staff	595,483	637,501	597,467	471,260
Administration	1,123,161	1,095,277	1,023,438	950,958
Operation and maintenance of plant	1,210,421	1,175,993	1,195,883	1,196,049
Transportation	391,206	343,888	427,022	414,093
Non-instructional programs	-	-	-	1,879
Other expenditures				
Facilities acquisition	363,038	340,888	121,754	-
Long-term debt				
Principal	555,000	530,000	1,875,000	523,085
Interest and other charges	322,005	341,631	561,060	476,575
AEA flowthrough	400,315	367,758	340,963	321,428
Total expenditures	<u>\$11,727,928</u>	<u>\$11,242,486</u>	<u>\$12,069,695</u>	<u>\$9,861,895</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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 23, 2009. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Solon Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Solon Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Solon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Solon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Solon Community School District's internal control. I consider the deficiencies in internal control described in Part I of

the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Solon Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items A, B, C and D are material weaknesses.

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, 2008 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.

Solon Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Solon Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Solon Community School District and other parties to whom Solon Community School District may report, including federal awarding agencies and other pass-through entities. 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

Kay L. Chapman, CPA PC
February 23, 2009

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- 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. Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

- C. Signature Stamp - It was noted that the District uses a signature stamp on purchase orders. However, the signature stamp is not kept and used by the person whose signature it bears.

Recommendation - Although the use of a signature stamp does not necessarily create a control deficiency, it should be under the control of and used by the person whose signature it bears. The District should either ensure that the stamp be under the control of and used only by the signature bearer or discontinue use of the signature stamp.

Response - We will consider your recommendation and change our procedures accordingly.

Conclusion – Response accepted.

- D. Accounting for Gate Receipts - The District does not use a ticket system to account for the receipts from extracurricular activities that charge an admission nor do they reconcile the number of tickets sold to the cash collected.

Recommendation - A ticket system should be implemented by the district. Tickets should be taken at all district events charging admission. The district should also implement appropriate controls over this procedure. At the end of each event, the cash collected should be counted by two individuals and should be reconciled to the number of tickets sold. This reconciliation should be signed by the individuals responsible for counting the cash. This reconciliation should also match the bank deposit slip.

Response - A system of ticket collection was initiated in the spring of 2008 and incorporated.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Conclusion - The District indicated that a ticket collection system was incorporated in the spring of 2008; however, there was no documentation to support this. A ticket system was initiated in the fall of 2008; however, the procedures were not always followed for all events and the system did not include a reconciliation of the number of tickets sold to money collected. I do not believe that the District's response accurately reports the procedures in place and recommend that the District continue to review their ticket taking procedures and make changes to improve controls.

- E. Supporting Document Missing - It was noted that check #9180 for \$9,753.82 did not have proper supporting documentation to substantiate payment.

Recommendation - All checks should be supported by proper documentation before the check is issued and released.

Response - This was an oversight and we will ensure that in the future no checks are issued without proper documentation.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2008 did not exceed the amended amounts budgeted.
2. Questionable Expenditures - I noted no expenditures 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.

SOLON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

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.
9. Certified Annual Reports - The Certified Annual Report was certified timely with the Department of Education.
10. Outstanding Bond Coupon - The District has a 1979 General Obligation Series Bond coupon outstanding for \$5,000 plus accrued interest of \$1,350.

Recommendation - The District should consult the Iowa Department of Education regarding disposition of this matter.

Response - We will investigate the situation and contact the Iowa Department of Education regarding this matter.

Conclusion - Response accepted.

SOLON COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2008

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant