

SOLON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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SOLON COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2008 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
(After September 2008 Election)		
Dave Asprey	Board President	2009
Ben Pardini	Board Member	(deceased 10/6/08) 2009
Lianne Westcot	Board Member	(appointed 11/4/08) 2009
Dean A. Martin	Board Member	2010
Laura Reed	Board Member	2010
Tim Brown	Board Member	2011
<b>School Officials</b>		
Brad Manard	Superintendent	2009
Pat Moore	Business Manager/Treasurer	2009
Shelley Ahern	District Secretary	2009
C. Joseph Holland	Attorney	2009

\* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

# KAY L. CHAPMAN, CPA PC

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

## Independent Auditor's Report

To the Board of Education  
Solon Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Solon Community School District, Solon, Iowa, as of and for the year ended June 30, 2009, 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, 2009, 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 19, 2010 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 five years ended June 30, 2008 (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 six years in the period ended June 30, 2009 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 19, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$9,880,474 in fiscal 2008 to \$10,411,358 in fiscal 2009 and General Fund expenditures increased from \$9,757,727 in fiscal 2008 to \$10,275,181 in fiscal 2009. The District's General Fund balance increased from \$1,029,912 in fiscal 2008 to \$1,209,808 in fiscal 2009, a 17% increase. Although this is a positive indicator, it is important to mention that 9% of the fund balance mentioned is actually reserved. From FY08 to FY09 the actual unreserved fund balance increased from \$959,338 to \$1,096,696.
- The increase in General Fund revenues came from the following sources: Local – tuition-in special education, open enrollment and drivers education; State – teacher quality funds and Federal – Medicaid, Title IIA, Part B and Flood Control.
- The increase in expenditures occurred in the following areas: general instructional salaries and benefits, textbooks, special education instruction, vocation programs, executive administrative services, building administration, operations & maintenance and student transportation. Additional increases in expenditures also were seen in categorical funding such as teacher quality, core curriculum, professional development and Title IIA. For FY09 salary and benefits of employees accounted for 77.61% of the budget.

### **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.

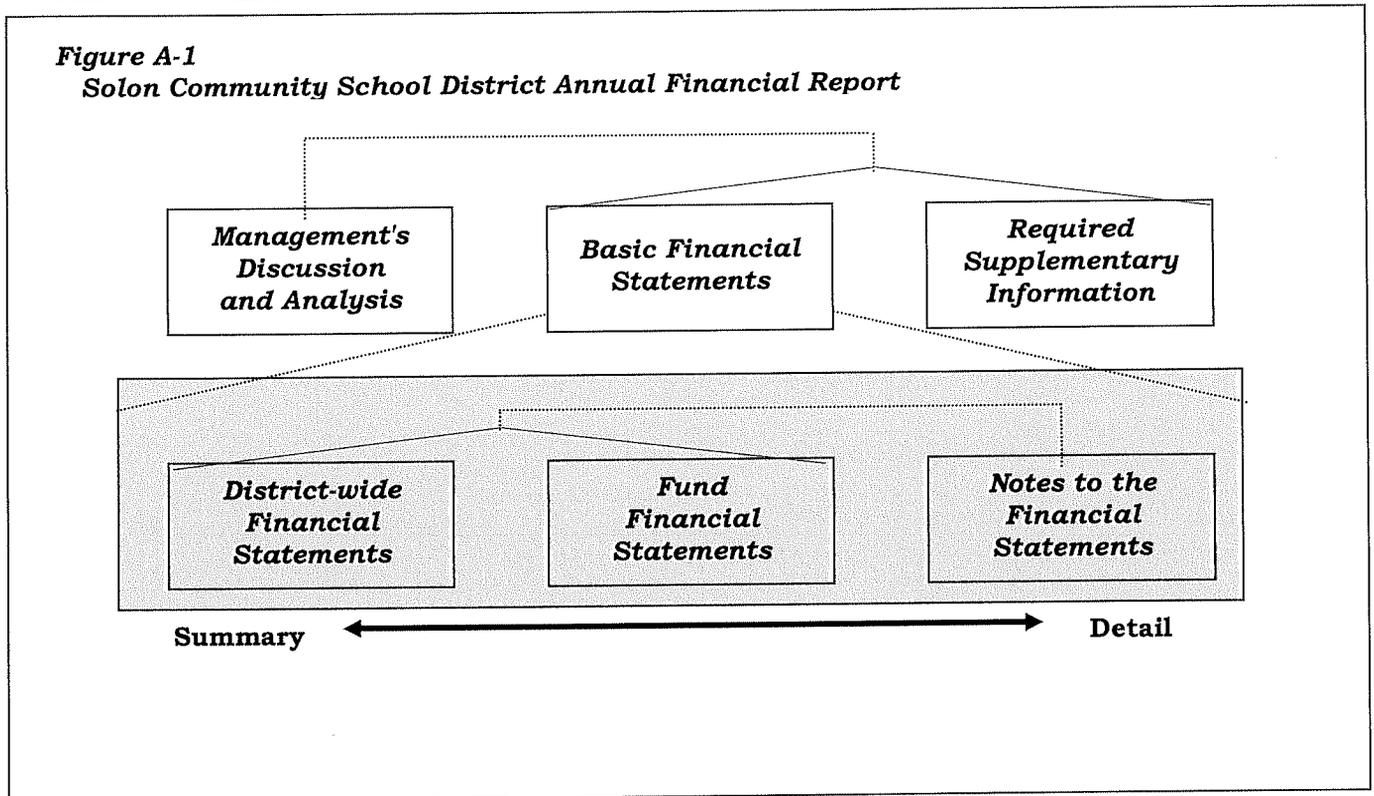


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	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 school 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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 are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, Before & After School Program Fund and Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a 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 include 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, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 12,019,075	\$ 9,556,895	\$ 323,749	\$ 393,010	\$ 12,342,824	\$ 9,949,905	24.05%
Capital assets	<u>10,010,500</u>	<u>10,355,452</u>	<u>55,230</u>	<u>59,239</u>	<u>10,065,730</u>	<u>10,414,691</u>	-3.35%
Total assets	<u>22,029,575</u>	<u>19,912,347</u>	<u>378,979</u>	<u>452,249</u>	<u>22,408,554</u>	<u>20,364,596</u>	10.04%
Long-term liabilities	7,415,007	8,013,418	-	-	7,415,007	8,013,418	-7.47%
Other liabilities	<u>7,298,705</u>	<u>6,516,249</u>	<u>25,787</u>	<u>28,660</u>	<u>7,324,492</u>	<u>6,544,909</u>	11.91%
Total liabilities	<u>14,713,712</u>	<u>14,529,667</u>	<u>25,787</u>	<u>28,660</u>	<u>14,739,499</u>	<u>14,558,327</u>	1.24%
Net assets							
Invested in capital assets, net of related debt	2,665,500	2,430,452	55,230	59,238	2,720,730	2,489,690	9.28%
Restricted	3,001,806	1,506,433	-	-	3,001,806	1,506,433	99.27%
Unrestricted	<u>1,648,557</u>	<u>1,445,795</u>	<u>297,962</u>	<u>364,351</u>	<u>1,946,519</u>	<u>1,810,146</u>	7.53%
Total net assets	<u>\$ 7,315,863</u>	<u>\$ 5,382,680</u>	<u>\$ 353,192</u>	<u>\$ 423,589</u>	<u>\$ 7,669,055</u>	<u>\$ 5,806,269</u>	32.08%

The District's combined net assets increased by 32%, or \$1,862,786 over the prior year. One of the largest portions 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 \$1,495,373, or approximately 99% over the prior year. Encompassed in this increase are the following restricted assets: professional development, beginning teacher mentoring, At-Risk, PPEL unreserved fund balance, Activity Fund unreserved fund balance and Capital Projects unreserved fund balance. The unreserved fund balance equates to current assets less any current liabilities.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$136,373, or approximately 8%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues							
Program revenues							
Charges for service and sales	\$ 1,022,220	\$ 902,019	\$ 724,476	\$ 721,736	\$ 1,746,696	\$ 1,623,755	7.57%
Operating grants	1,440,377	1,126,736	78,694	69,768	1,519,071	1,196,504	26.96%
General revenues							
Property tax	5,004,517	5,139,205	-	-	5,004,517	5,139,205	-2.62%
Statewide sales and service tax	1,377,719	1,450,644	-	-	1,377,719	1,450,644	-5.03%
Unrestricted state grants	4,794,575	4,788,494	-	-	4,794,575	4,788,494	0.13%
Contributions and donations	50,585	80,013	-	-	50,585	80,013	-36.78%
Unrestricted investment earnings	53,379	63,152	6,263	7,779	59,642	70,931	-15.92%
Other	17,713	15,212	-	-	17,713	15,212	16.44%
Special revenue - gain on disposal of capital assets	<u>82,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,613</u>	<u>-</u>	100.00%
Total revenues	<u>13,843,698</u>	<u>13,565,475</u>	<u>809,433</u>	<u>799,283</u>	<u>14,653,131</u>	<u>14,364,758</u>	2.01%
Program expenses							
Governmental activities							
Instruction	7,101,620	6,618,818	-	-	7,101,620	6,618,818	7.29%
Support services	3,443,160	3,399,388	-	-	3,443,160	3,399,388	1.29%
Non-instructional programs	5,450	7,876	879,830	779,660	885,280	787,536	12.41%
Other expenses	<u>1,360,285</u>	<u>1,358,846</u>	<u>-</u>	<u>-</u>	<u>1,360,285</u>	<u>1,358,846</u>	0.11%
Total expenses	<u>11,910,515</u>	<u>11,384,928</u>	<u>879,830</u>	<u>779,660</u>	<u>12,790,345</u>	<u>12,164,588</u>	5.14%
Change in net assets	<u>\$ 1,933,183</u>	<u>\$ 2,180,547</u>	<u>\$ (70,397)</u>	<u>\$ 19,623</u>	<u>\$ 1,862,786</u>	<u>\$ 2,200,170</u>	-15.33%

In fiscal 2009, property tax and unrestricted state grants account for 70% of the revenue from governmental activities while charges for service and sales and operating grants account for 99% of the revenue from business type activities.

The District's total revenues were \$14,653,131 of which \$13,843,698 was for governmental activities and \$809,433 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% increase in revenues and a 5% increase in expenses. The increase in expenditures was partially funded by additional revenues of charge for sales/service and operations grants.

### Governmental Activities

Revenues for governmental activities were \$13,843,698 and expenses were \$11,910,515 for the year ended June 30, 2009. Expenditures were less than originally budgeted due to a large part of SAVE. When the initial FY 09 budget was constructed there were plans to initiate major renovations of the facilities. However, due to this action not occurring, expenditures were much less for the District than originally anticipated.

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, 2009 compared to the year ended June 30, 2008.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 7,101,620	\$ 6,618,818	7.3%	\$ 5,086,871	\$ 5,017,245	1.4%
Support services	3,443,160	3,399,388	1.3%	3,419,482	3,372,521	1.4%
Non-instructional programs	5,450	7,876	-30.8%	5,450	7,876	-30.8%
Other expenses	<u>1,360,285</u>	<u>1,358,846</u>	<u>0.1%</u>	<u>936,115</u>	<u>958,531</u>	<u>-2.3%</u>
Total expenses	<u>\$ 11,910,515</u>	<u>\$ 11,384,928</u>	<u>4.6%</u>	<u>\$ 9,447,918</u>	<u>\$ 9,356,173</u>	<u>1.0%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$1,022,220.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,440,377.
- The net cost of governmental activities was financed with \$5,004,517 in property taxes and \$4,794,575 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities for the year ended June 30, 2009 were \$809,433 representing a 1% increase over the prior year while expenses were \$879,830, a 12% increase over the prior year. The District's business type activities include the School Nutrition Fund, Before & After School Fund and Preschool Fund. Revenues of

these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year end June 30, 2009, School Nutrition Fund recognized both an increase in revenue and expenditures. The increase in expenditures outweighed the revenues increase. Expenditures in School Nutrition Fund that had a significant increase over the prior fiscal year were: bank fees and charges (PaySchools), salary and benefits, and groceries (both lunch and breakfast).

## **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 \$4,191,847, well above last year's ending fund balances of \$2,651,880. The majority of the fund balance can be attributed to PPEL and SAVE. SAVE fund balance, as mentioned in prior statements, increased dramatically due to facility renovations not occurring as was initially anticipated. PPEL, through fiscal planning, had lower expenditures than in prior years, resulting in a slightly higher fund balance.

### **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 was shown during the year in surtaxes, tuition and grant funding receipts.
- The General Fund balance increased from \$1,029,912 to \$1,209,808 as a result of a larger spread between current assets and liabilities. It is important to remember that although the fund balance increased there are restricted funds encompassed within the fund balance referenced.
- The Capital Projects fund balance increased from \$1,272,070 at June 30, 2008 to \$2,308,446 at June 30, 2009. As stated previously, this is largely due to the original budget anticipating expenditures for facility renovations and those did not occur during FY09.
- The Debt Service Fund balance increased from \$138,681 at June 30, 2008 to \$147,898 at June 30, 2009.

### **Proprietary Fund Highlights**

Enterprise Fund net assets decreased from \$423,589 at June 30, 2008 to \$353,192 at June 30, 2009, representing a decrease of approximately 16%. Current assets showed a decrease in Cash/Investments and also a decrease in inter-fund payables, as well as, an increase in payroll deductions and other payables. The fund balance was lower at the end of FY09 than the prior year. School Nutrition Fund cash dropped significantly. As mentioned earlier, School Nutrition Fund had a significant increase in expenditures – largely in salary and benefits, bank fees and groceries for lunch in breakfast.

## 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. Instruction was increased for salary and benefits and tuitions. Support services were increased for buildings and grounds and instructional staff support. There was an increase in Non-Instruction Programs for the School Nutrition Program and a decrease in Other Expenditures to accommodate the SAVE funds not being used for facility renovations. The District's revenues were \$158,347 less than budgeted revenues, a variance of less than 1%. Areas that contributed to this variance were revenues of federal and state funding were not at the level that was certified in April 08 for the FY 09 budget.

Total expenditures were \$1,038,375 less than budgeted. 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. Additionally, the District did not hold the Summer Science Academy, which may have increased the District's cash flow, added to the restricted fund balance for categorical funds – mainly At Risk.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$10,065,730, 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 \$675,557.

The original cost of the District's capital assets was \$19,755,297. Governmental funds account for \$19,665,133, with the remainder of \$90,164 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 \$219,415 at June 30, 2008 compared to \$183,543 at June 30, 2009.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
	Land	\$ 582,068	\$ 582,068	\$ -	\$ -	\$ 582,068	\$ 582,068
Buildings and improvements	8,633,050	9,015,273	-	-	8,633,050	9,015,273	-4.24%
Improvements, other than buildings	183,543	219,415	-	-	183,543	219,415	-16.35%
Furniture and equipment	611,839	538,696	55,230	59,239	667,069	597,935	11.56%
Totals	<u>\$ 10,010,500</u>	<u>\$ 10,355,452</u>	<u>\$ 55,230</u>	<u>\$ 59,239</u>	<u>\$ 10,065,730</u>	<u>\$ 10,414,691</u>	-3.35%

## Long-Term Debt

At June 30, 2009, the District had \$7,415,007 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 School District		Total Change
	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
General obligation bonds	\$ 7,350,000	\$7,845,000	-6.31%
Capital loan notes	-	80,000	-100.00%
Compensated absences	23,180	22,755	1.87%
Early retirement	<u>41,827</u>	<u>65,663</u>	-36.30%
Total	<u>\$ 7,415,007</u>	<u>\$8,013,418</u>	-7.47%

## 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 enrollment has been on an upward trend. The October 2009 certified enrollment count rose by 12.9 students over the October 2008 certified enrollment count. The increase in enrollment, as well as large number of students open enrolling into the District, continually places the potential need for increased staffing. Although the student enrollment is increasing, which also creates an increase in funding; the funding is not currently sufficient to cover our additional needs. Along these same lines, the District also realized as student enrollment continues to grow our facilities/buildings will also need to accommodate the increase. The District will continue to discuss expansion areas and funding sources and has moved forward on the bonding of future SAVE revenues to remodel/renovate Lakeview Elementary and complete energy efficiency measures at the middle school.
- The District budgeted \$511,000 for SBRC – Other Cash Reserve. This money is meant to be used to help fund the District's unspent balance.
- Both Johnson County and Linn County placed the SILO (School Infrastructure Local Option Sales & Service Tax) ballot question before the voters in February 2009. Both measures passed and will help fund the facility needs of the District. The District began receiving funds in FY 2008-2009. Estimates received for the upcoming FY10 budget are \$5,818 Linn County and \$1,380,678.

- During the early spring of 2009, the District implemented cost-containing measures. In addition, decisions were made regarding the upcoming FY10 expenditures. Including in cost reduction measures were: reduce 1.0 custodian, incur technology costs out of SAVE (was out of ISL – General Fund), do not purchase high school agendas, drop the ICN German Class and do not hold the Summer Science Academy in June 2009.
- It is important to remember that despite the positive impact of financial reductions, the District will need to continue to monitor its fiscal practices and financial stability based on the current economy.

### **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 Secretary/Treasurer and Business Manager, Solon Community School District, 301 S Iowa St, Solon, Iowa, 52333.

## Basic Financial Statements

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Net Assets  
 June 30, 2009

Exhibit A

<b>Assets</b>	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 1,984,599	\$ -	\$ 1,984,599
Other	4,284,075	311,984	4,596,059
Receivables			
Property tax			
Delinquent	37,146	-	37,146
Succeeding year	4,834,954	-	4,834,954
Accounts receivable	124,111	-	124,111
Income surtax	447,363	-	447,363
Accrued interest			
ISCAP	7,519	-	7,519
Due from other governments	294,114	9,311	303,425
Due from other fund	5,194	-	5,194
Inventories	-	2,454	2,454
Non-depreciable capital assets	582,068	-	582,068
Capital assets, net of accumulated depreciation	<u>9,428,432</u>	<u>55,230</u>	<u>9,483,662</u>
Total assets	<u>22,029,575</u>	<u>378,979</u>	<u>22,408,554</u>
<b>Liabilities</b>			
Accounts payable	227,480	3,457	230,937
Salaries and benefits payable	191,788	17,136	208,924
Accrued interest payable	46,518	-	46,518
Due to other fund	-	5,194	5,194
Deferred revenue			
Succeeding year property tax	4,834,954	-	4,834,954
ISCAP warrants payable	1,956,000	-	1,956,000
ISCAP accrued interest payable	10,750	-	10,750
ISCAP unamortized premium	31,215	-	31,215
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	510,000	-	510,000
Termination benefits payable	20,913	-	20,913
Portion due after one year			
General obligation bonds payable	6,840,000	-	6,840,000
Termination benefits payable	20,914	-	20,914
Compensated absences payable	<u>23,180</u>	<u>-</u>	<u>23,180</u>
Total liabilities	<u>14,713,712</u>	<u>25,787</u>	<u>14,739,499</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Net Assets  
 June 30, 2009

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 2,665,500	\$ 55,230	\$ 2,720,730
Restricted for			
Categorical funding	113,112	-	113,112
Management levy	100,153	-	100,153
Physical plant and equipment levy	234,879	-	234,879
Debt service	96,380	-	96,380
Other special revenue purposes	148,836	-	148,836
Capital projects	2,308,446	-	2,308,446
Unrestricted	1,648,557	297,962	1,946,519
Total net assets	\$ 7,315,863	\$ 353,192	\$ 7,669,055

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2009

Functions/Programs	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
Governmental activities							
Instruction							
Regular instruction	\$ 4,886,702	\$ 908,559	\$ 834,185	\$ -	\$ (3,143,958)	\$ -	\$ (3,143,958)
Special instruction	1,404,194	74,780	168,856	-	(1,160,558)	-	(1,160,558)
Other instruction	810,724	16,574	11,795	-	(782,355)	-	(782,355)
	<u>7,101,620</u>	<u>999,913</u>	<u>1,014,836</u>	<u>-</u>	<u>(5,086,871)</u>	<u>-</u>	<u>(5,086,871)</u>
Support services							
Student	112,984	-	-	-	(112,984)	-	(112,984)
Instructional staff	477,126	-	-	-	(477,126)	-	(477,126)
Administration	1,165,721	-	-	-	(1,165,721)	-	(1,165,721)
Operation and maintenance of plant	1,262,391	6,995	-	-	(1,255,396)	-	(1,255,396)
Transportation	424,938	15,312	1,371	-	(408,255)	-	(408,255)
	<u>3,443,160</u>	<u>22,307</u>	<u>1,371</u>	<u>-</u>	<u>(3,419,482)</u>	<u>-</u>	<u>(3,419,482)</u>
	<u>5,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,450)</u>	<u>-</u>	<u>(5,450)</u>
Non-instructional programs							
Other expenses	243,105	-	-	-	(243,105)	-	(243,105)
Facilities acquisition	297,989	-	-	-	(297,989)	-	(297,989)
Long-term debt interest	424,170	-	424,170	-	-	-	-
AEA flowthrough	395,021	-	-	-	(395,021)	-	(395,021)
Depreciation (unallocated) *	1,360,285	-	424,170	-	(936,115)	-	(936,115)
	<u>11,910,515</u>	<u>1,022,220</u>	<u>1,440,377</u>	<u>-</u>	<u>(9,447,918)</u>	<u>-</u>	<u>(9,447,918)</u>
Total governmental activities							

**SOLOM COMMUNITY SCHOOL DISTRICT**  
 Statement of Activities  
 For the Year Ended June 30, 2009

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Business Type Activities	Total
<b>Functions/Programs (continued)</b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 543,218	\$ 393,676	\$ 78,694	\$ -	\$ (70,848)	\$ (70,848)
Before & After program	285,887	280,729	-	-	(5,158)	(5,158)
Preschool program	50,725	50,071	-	-	(654)	(654)
Total business type activities	879,830	724,476	78,694	-	(76,660)	(76,660)
Total	\$ 12,790,345	\$ 1,746,696	\$ 1,519,071	\$ -	(9,447,918)	(9,524,578)

**General Revenues**

Property tax levied for	3,759,175	-	-	-	-	3,759,175
General purposes	792,668	-	-	-	-	792,668
Debt service	452,674	-	-	-	-	452,674
Capital outlay	1,377,719	-	-	-	-	1,377,719
Statewide sales and services tax	4,794,575	-	-	-	-	4,794,575
Unrestricted state grants	50,585	-	-	-	-	50,585
Contributions and donations	53,379	6,263	-	-	6,263	59,642
Unrestricted investment earnings	17,713	-	-	-	-	17,713
Other	82,613	-	-	-	-	82,613
Special item - gain on disposal of capital assets	11,381,101	6,263	-	-	6,263	11,387,364
Total general revenues and special item	1,933,183	(70,397)	-	-	(70,397)	1,862,786
Change in net assets	5,382,680	423,589	-	-	423,589	5,806,269
Net assets, beginning of year	7,315,863	353,192	-	-	353,192	7,669,055
Net assets, end of year	\$ 12,698,546	\$ 776,781	\$ -	\$ -	\$ 776,781	\$ 13,475,327

\* 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, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments					
ISCAP	\$1,984,599	\$ -	\$ -	\$ -	\$ 1,984,599
Other	1,501,360	2,057,895	141,267	550,344	4,250,866
Receivables					
Property tax					
Delinquent	24,888	-	6,631	5,627	37,146
Succeeding year	3,402,882	-	789,510	642,562	4,834,954
Accounts receivable	123,961	-	-	-	123,961
Accrued interest					
ISCAP	7,519	-	-	-	7,519
Income surtax	447,363	-	-	-	447,363
Due from other governments	43,563	250,551	-	-	294,114
Due from other funds	6,949	-	-	-	6,949
Total assets and other debits	<u>\$7,543,084</u>	<u>\$2,308,446</u>	<u>\$937,408</u>	<u>\$1,198,533</u>	<u>\$11,987,471</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 198,959	\$ -	\$ -	\$ 28,521	\$ 227,480
Due to other fund	-	-	-	1,755	1,755
Salaries and benefits payable	158,429	-	-	-	158,429
ISCAP warrants payable	1,956,000	-	-	-	1,956,000
ISCAP accrued interest payable	10,750	-	-	-	10,750
ISCAP unamortized premium	31,215	-	-	-	31,215
Deferred revenue					
Succeeding year property tax	3,402,882	-	789,510	642,562	4,834,954
Income surtax	447,363	-	-	-	447,363
Other	127,678	-	-	-	127,678
Total liabilities	<u>6,333,276</u>	<u>-</u>	<u>789,510</u>	<u>672,838</u>	<u>7,795,624</u>
<b>Fund balances</b>					
Reserved for					
Debt service	-	-	147,898	-	147,898
Categorical funding	113,112	-	-	-	113,112
Unreserved, governmental funds	1,096,696	2,308,446	-	-	3,405,142
Unreserved, special revenue funds	-	-	-	525,695	525,695
Total fund balances	<u>1,209,808</u>	<u>2,308,446</u>	<u>147,898</u>	<u>525,695</u>	<u>4,191,847</u>
Total liabilities and fund balances	<u>\$7,543,084</u>	<u>\$2,308,446</u>	<u>\$937,408</u>	<u>\$1,198,533</u>	<u>\$11,987,471</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, 2009

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$4,191,847</b>
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,010,500
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	575,041
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.	(46,518)
Long-term liabilities, including bonds 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>(7,415,007)</u>
<b>Net assets of governmental activities</b>	<b><u>\$7,315,863</u></b>

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, 2009

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	\$3,474,277	\$1,377,719	\$ 792,668	\$ 672,611	\$6,317,275
Tuition	597,989	-	-	-	597,989
Other	180,583	17,603	4,772	342,950	545,908
State sources	5,962,340	-	-	-	5,962,340
Federal sources	196,169	-	-	-	196,169
Total revenues	<u>10,411,358</u>	<u>1,395,322</u>	<u>797,440</u>	<u>1,015,561</u>	<u>13,619,681</u>
Expenditures					
Current					
Instruction					
Regular	4,865,294	-	-	50,146	4,915,440
Special	1,410,146	-	-	-	1,410,146
Other	524,738	-	-	263,738	788,476
	<u>6,800,178</u>	<u>-</u>	<u>-</u>	<u>313,884</u>	<u>7,114,062</u>
Support services					
Student	112,984	-	-	-	112,984
Instructional staff	363,817	201,880	-	-	565,697
Administration	1,148,097	-	-	-	1,148,097
Operation and maintenance of plant	1,065,637	-	-	156,807	1,222,444
Transportation	360,298	75,956	-	-	436,254
	<u>3,050,833</u>	<u>277,836</u>	<u>-</u>	<u>156,807</u>	<u>3,485,476</u>
Other expenditures					
Facilities acquisition	-	81,110	-	174,634	255,744
Long-term debt					
Principal	-	-	570,000	-	570,000
Interest and fiscal charges	-	-	301,343	-	301,343
AEA flowthrough	424,170	-	-	-	424,170
	<u>424,170</u>	<u>81,110</u>	<u>871,343</u>	<u>174,634</u>	<u>1,551,257</u>
Total expenditures	<u>10,275,181</u>	<u>358,946</u>	<u>871,343</u>	<u>645,325</u>	<u>12,150,795</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, 2009

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	\$ 136,177	\$1,036,376	\$ (73,903)	\$ 370,236	\$1,468,886
Other financing sources (uses)					
Sale of equipment and materials	43,719	-	-	27,362	71,081
Interfund operating transfers in	-	-	83,120	-	83,120
Interfund operating transfers (out)	-	-	-	(83,120)	(83,120)
Total other financing sources (uses)	<u>43,719</u>	<u>-</u>	<u>83,120</u>	<u>(55,758)</u>	<u>71,081</u>
Net change in fund balances	179,896	1,036,376	9,217	314,478	1,539,967
Fund balance, beginning 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>
Fund balance, end of year	<u>\$1,209,808</u>	<u>\$2,308,446</u>	<u>\$ 147,898</u>	<u>\$ 525,695</u>	<u>\$4,191,847</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, 2009

Exhibit F

**Net change in fund balances - total governmental funds** **\$ 1,539,967**

**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	\$ 308,067	
Gain on disposal of capital assets	11,533	
Depreciation expense	<u>(664,552)</u>	(344,952)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 141,403

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. 570,000

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	\$ 23,836	
Compensated absences	<u>(425)</u>	23,411

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,354

**Change in net assets of governmental activities** **\$ 1,933,183**

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Net Assets  
 Proprietary Funds  
 June 30, 2009

Exhibit G

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activity</u>
	<u>Nonmajor</u> <u>Enterprise</u>	<u>Internal</u> <u>Service</u>
<b>Assets</b>		
Cash and cash equivalents	\$311,984	\$ 33,209
Accounts receivable	-	150
Due from other governments	9,311	-
Due from other fund	140	-
Inventories	2,454	-
Capital assets, net of accumulated depreciation	<u>55,230</u>	<u>-</u>
Total assets	<u>379,119</u>	<u>33,359</u>
<b>Liabilities</b>		
Accounts payable	3,457	-
Salaries and benefits payable	17,136	33,359
Due to other funds	<u>5,334</u>	<u>-</u>
Total liabilities	<u>25,927</u>	<u>33,359</u>
<b>Net Assets</b>		
Invested in capital assets	55,230	-
Unrestricted	<u>297,962</u>	<u>-</u>
Total net assets	<u>\$353,192</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, 2009

Exhibit H

	<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>
Operating revenue		
Local sources		
Charges for service	<u>\$724,476</u>	<u>\$ 33,359</u>
Operating expenses		
Instruction		
Regular		
Salaries	33,490	-
Benefits	14,890	-
Supplies	1,793	-
	<u>50,173</u>	<u>-</u>
Support services		
Administration		
Purchased services	6,483	-
Supplies	6,172	-
	<u>12,655</u>	<u>-</u>
Operation and maintenance of plant		
Purchased services	<u>17,746</u>	<u>-</u>
Non-instructional programs		
Salaries	375,026	-
Benefits	99,071	33,359
Purchased services	17,008	-
Supplies	295,803	-
Miscellaneous	1,343	-
Depreciation	11,005	-
	<u>799,256</u>	<u>33,359</u>
Total operating expenses	<u>879,830</u>	<u>33,359</u>
Operating (loss)	<u>(155,354)</u>	<u>-</u>
Non-operating revenue		
Interest income	6,263	-
State sources	5,191	-
Federal sources	73,503	-
Total non-operating revenue	<u>84,957</u>	<u>-</u>
Net (loss)	(70,397)	-
Net assets, beginning of year	423,589	-
Net assets, end of year	<u>\$353,192</u>	<u>\$ -</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2009

Exhibit I

	<u>Business Type</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activity</u>
	Nonmajor	Internal
	<u>Enterprise</u>	<u>Service</u>
Cash flows from operating activities		
Cash received from sale of services	\$ 724,476	\$ -
Cash received from other operations	-	35,534
Cash payments to employees for services	(528,450)	-
Cash payments to suppliers for goods and services	<u>(334,811)</u>	<u>(32,827)</u>
Net cash provided by (used in) operating activities	<u>(138,785)</u>	<u>2,707</u>
Cash flows from non-capital financing activities		
State grants received	5,191	-
Federal grants received	<u>56,852</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>62,043</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(6,996)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>6,263</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(77,475)	2,707
Cash and cash equivalents, beginning of year	<u>389,459</u>	<u>30,502</u>
Cash and cash equivalents, end of year	<u>\$ 311,984</u>	<u>\$ 33,209</u>

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

Operating loss	\$ (155,354)	\$ -
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	11,005	-
Commodities used	7,340	-
Decrease in inventory	1,097	-
(Increase) in accounts receivable	-	(150)
(Increase) decrease in due from other fund	(140)	2,325
Increase in accounts payable	3,099	-
(Decrease) in due to other funds	(10,721)	-
Increase in accrued salaries and benefits	<u>4,889</u>	<u>532</u>
Net cash provided by (used in) operating activities	<u>\$ (138,785)</u>	<u>\$ 2,707</u>

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2009, the District received \$7,340 of federal commodities.

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2009

Exhibit J

	<u>Private Purpose Trust Water Club</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,996
<b>Liabilities</b>	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u>\$ 2,996</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, 2009

Exhibit K

	<u>Private Purpose Trust Water Club</u>
Additions	
Local sources	
Miscellaneous	<u>\$ 2,165</u>
Deductions	
Support services	
Operation and maintenance of plant	472
Non-instructional programs	
Other enterprise operations	<u>924</u>
Total deductions	<u>1,396</u>
Change in net assets	769
Net assets, beginning of year	<u>2,227</u>
Net assets, end of year	<u><u>\$ 2,996</u></u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2009

**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 termination benefits 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement termination 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, 2009. 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, 2009. 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 unspent grant proceeds as well as 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 \$335,032 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, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$17,968

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, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Special Revenue	\$ 1,755
General	Nonmajor Enterprise	5,194
Nonmajor Enterprise	Nonmajor Enterprise	<u>140</u>
Total		<u>\$ 7,089</u>

The Before & After Fund is paying the General Fund for mileage and the Student Activity Fund is paying the General Fund for expenses related to a broken window. The Before & After Fund owes the School Nutrition Fund for reimbursed supplies. These amounts will be paid during the year ending June 30, 2010.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Fund	Transfers In	Transfers Out
Debt Service	\$ 83,120	\$ -
Non-major special revenue fund	<u>-</u>	<u>83,120</u>
Total	<u>\$ 83,120</u>	<u>\$ 83,120</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, 2009, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2008-09B	1/21/2009	1/21/2010	\$ 797,089	\$ 7,372	\$ 787,000	\$ 10,350	\$ 8,586
2009-10A	6/25/2009	6/23/2010	<u>1,187,510</u>	<u>147</u>	<u>1,169,000</u>	<u>400</u>	<u>22,629</u>
			<u>\$ 1,984,599</u>	<u>\$ 7,519</u>	<u>\$ 1,956,000</u>	<u>\$ 10,750</u>	<u>\$ 31,215</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, 2009 is as follows:

Series	Balance, Beginning of Year	Advances Received	Advances Repaid	Balance, End of Year
2008-09A	\$ -	\$ 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:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09A	3.50%	3.469%
2008-09B	3.00%	2.110%
2009-10A	2.50%	0.902%

#### Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 582,068	\$ -	\$ -	\$ 582,068
Capital assets being depreciated:				
Buildings and improvements	16,396,240	-	-	16,396,240
Improvements other than buildings	567,957	-	-	567,957
Furniture and equipment	1,856,301	308,067	(45,500)	2,118,868
Total capital assets being depreciated	18,820,498	308,067	(45,500)	19,083,065
Less accumulated depreciation for:				
Buildings and improvements	7,380,967	393,756	(11,533)	7,763,190
Improvements other than buildings	348,542	35,872	-	384,414
Furniture and equipment	1,317,605	234,924	(45,500)	1,507,029
Total accumulated depreciation	9,047,114	664,552	(57,033)	9,654,633
Total capital assets being depreciated, net	9,773,384	(356,485)	11,533	9,428,432
Governmental activities capital assets, net	\$ 10,355,452	\$ (356,485)	\$ 11,533	\$ 10,010,500

Business type activities

Furniture and equipment	\$ 83,168	\$ 6,996	\$ -	\$ 90,164
Less accumulated depreciation	<u>23,929</u>	<u>11,005</u>	<u>-</u>	<u>34,934</u>
Business type activities capital assets, net	<u>\$ 59,239</u>	<u>\$ (4,009)</u>	<u>\$ -</u>	<u>\$ 55,230</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 24,040
Special	10,996
Other	31,293
Support services	
Instructional staff	109,669
Administration	17,199
Operation and maintenance of plant	6,244
Transportation	64,640
Non-instructional programs	<u>5,450</u>
	269,531
Unallocated depreciation	<u>395,021</u>
Total governmental activities depreciation expense	<u>\$ 664,552</u>

**Business type activities**

Food service operations	<u>\$ 11,005</u>
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**Note 7. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,845,000	\$ -	\$ 495,000	\$ 7,350,000	\$ 510,000
Capital loan notes	80,000	-	80,000	-	-
Compensated absences	22,755	23,180	22,755	23,180	-
Early retirement	<u>65,663</u>	<u>41,827</u>	<u>65,663</u>	<u>41,827</u>	<u>20,913</u>
Totals	<u>\$ 8,013,418</u>	<u>\$ 65,007</u>	<u>\$ 663,418</u>	<u>\$ 7,415,007</u>	<u>\$ 530,913</u>

Interest costs incurred and charged to expense on all long-term debt was \$297,989 for the year ended June 30, 2009.

### 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, 2009 totaled \$65,663.

### General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>2-1-06 Issue</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.75%	\$ 510,000	\$ 279,110	\$ 789,110
2011	3.75%	530,000	259,985	789,985
2012	3.75%	825,000	240,110	1,065,110
2013	3.75%	590,000	209,172	799,172
2014	3.75%	610,000	187,047	797,047
2015-2019	3.75-3.9%	3,380,000	574,157	3,954,157
2020-2021	3.95-4.0%	<u>900,000</u>	<u>43,852</u>	<u>943,852</u>
Totals		<u>\$ 7,345,000</u>	<u>\$ 1,793,433</u>	<u>\$ 9,138,433</u>

The bond issue of November 1, 1979 is fully retired except for one bond for \$5,000 which was due on June 1, 1999 and 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.

## 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, 2009 \$6,860,000 of bonds outstanding are considered to be defeased.

### **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 4.10% of their annual covered salary and the District was required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90% and 3.70% of their annual covered salary and the District was required to contribute 6.05% and 5.75% of annual covered payroll for the years ended June 30, 2008 and 2007, respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$410,117, \$365,413 and \$327,899, 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 \$424,170 for the year ended June 30, 2009 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, 2009, 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.

**Note 12. Pending Litigation**

At June 30, 2009, the District was involved in a case of pending litigation. It is difficult to estimate the outcome of the litigation and the potential damages, if any, involved. Therefore, no liability for potential payments has been calculated.

Required Supplementary Information

**SOLON 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, 2009**

	Governmental Funds		Enterprise Funds	Total		Budgeted Amounts		Final to Actual
	Actual		Actual	Actual		Original	Final	Variance
<b>Revenues</b>								
Local sources	\$ 7,461,172	\$ 730,739	\$ 8,191,911	\$ 8,277,421	\$ 8,277,421	\$	(85,510)	
State sources	5,962,340	5,191	5,967,531	6,079,290	6,079,290		(111,759)	
Federal sources	196,169	73,503	269,672	230,750	230,750		38,922	
Total revenues	<u>13,619,681</u>	<u>809,433</u>	<u>14,429,114</u>	<u>14,587,461</u>	<u>14,587,461</u>		<u>(158,347)</u>	
<b>Expenditures/Expenses</b>								
Instruction	7,114,062	50,173	7,164,235	7,000,072	7,300,000		135,765	
Support services	3,485,476	30,401	3,515,877	3,828,684	4,150,000		634,123	
Non-instructional programs	-	799,256	799,256	786,000	819,000		19,744	
Other expenditures	1,551,257	-	1,551,257	3,399,204	1,800,000		248,743	
Total expenditures/expenses	<u>12,150,795</u>	<u>879,830</u>	<u>13,030,625</u>	<u>15,013,960</u>	<u>14,069,000</u>		<u>1,038,375</u>	
Excess (deficiency) of revenues over (under) expenditures/expenses	1,468,886	(70,397)	1,398,489	(426,499)	518,461		880,028	
Net other financing sources	<u>71,081</u>	-	<u>71,081</u>	-	-		<u>71,081</u>	
Net change in fund balance	1,539,967	(70,397)	1,469,570	(426,499)	518,461		951,109	
Balance, beginning of year	2,651,880	423,589	3,075,469	2,785,980	2,785,980		289,489	
Balance, end of year	<u>\$ 4,191,847</u>	<u>\$ 353,192</u>	<u>\$ 4,545,039</u>	<u>\$ 2,359,481</u>	<u>\$ 3,304,441</u>		<u>\$ 1,240,598</u>	

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2009

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 decreasing budgeted expenditures by \$944,960.

## Other Supplementary Information

SOLON COMMUNITY SCHOOL DISTRICT  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2009

Schedule 1

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$140,140	\$171,327	\$238,877	\$ 550,344
Receivables				
Property tax				
Delinquent	1,840	-	3,787	5,627
Succeeding year	<u>149,999</u>	<u>-</u>	<u>492,563</u>	<u>642,562</u>
Total assets	<u>\$291,979</u>	<u>\$171,327</u>	<u>\$735,227</u>	<u>\$1,198,533</u>
 <b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable	\$ -	\$ 20,736	\$ 7,785	\$ 28,521
Due to other fund	-	1,755	-	1,755
Deferred revenue				
Succeeding year property tax	<u>149,999</u>	<u>-</u>	<u>492,563</u>	<u>642,562</u>
Total liabilities	149,999	22,491	500,348	672,838
 Fund balances				
Unreserved fund balances	<u>141,980</u>	<u>148,836</u>	<u>234,879</u>	<u>525,695</u>
Total liabilities and fund balances	<u>\$291,979</u>	<u>\$171,327</u>	<u>\$735,227</u>	<u>\$1,198,533</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, 2009

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	\$219,937	\$ -	\$452,674	\$ 672,611
Other	18,114	323,892	944	342,950
Total revenues	<u>238,051</u>	<u>323,892</u>	<u>453,618</u>	<u>1,015,561</u>
 Expenditures				
Current				
Instruction				
Regular	50,146	-	-	50,146
Other	-	263,738	-	263,738
Total instruction	<u>50,146</u>	<u>263,738</u>	<u>-</u>	<u>313,884</u>
Support services				
Operation and maintenance of plant	148,809	7,998	-	156,807
Other expenditures				
Facilities acquisition	-	-	174,634	174,634
Total expenditures	<u>198,955</u>	<u>271,736</u>	<u>174,634</u>	<u>645,325</u>
 Excess of revenues over expenditures	<u>39,096</u>	<u>52,156</u>	<u>278,984</u>	<u>370,236</u>
 Other financing sources (uses)				
Sale of equipment and materials	-	-	27,362	27,362
Interfund operating transfers (out)	-	-	(83,120)	(83,120)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(55,758)</u>	<u>(55,758)</u>
Net change in fund balances	39,096	52,156	223,226	314,478
Fund balances, beginning of year	<u>102,884</u>	<u>96,680</u>	<u>11,653</u>	<u>211,217</u>
 Fund balances, end of year	<u>\$141,980</u>	<u>\$148,836</u>	<u>\$234,879</u>	<u>\$ 525,695</u>

See accompanying Independent Auditor's Report.

**SOLON COMMUNITY SCHOOL DISTRICT**  
 Combining Statement of Net Assets  
 Nonmajor Enterprise Funds  
 June 30, 2009

Schedule 3

	<u>School</u>	<u>Before &amp;</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>	<u>After</u>		
<b>Assets</b>				
Cash and cash equivalents	\$176,729	\$108,574	\$26,681	\$311,984
Due from other governments	9,311	-	-	9,311
Due from other fund	140	-	-	140
Inventories	2,454	-	-	2,454
Capital assets, net of accumulated depreciation	55,230	-	-	55,230
Total assets	<u>243,864</u>	<u>108,574</u>	<u>26,681</u>	<u>379,119</u>
<b>Liabilities</b>				
Accounts payable	668	2,789	-	3,457
Salaries and benefits payable	10,974	2,911	3,251	17,136
Due to other funds	-	5,334	-	5,334
Total liabilities	<u>11,642</u>	<u>11,034</u>	<u>3,251</u>	<u>25,927</u>
<b>Net Assets</b>				
Invested in capital assets	55,230	-	-	55,230
Unrestricted	176,992	97,540	23,430	297,962
Total net assets	<u>\$232,222</u>	<u>\$ 97,540</u>	<u>\$23,430</u>	<u>\$353,192</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, 2009

Schedule 4

	School <u>Nutrition</u>	Before & <u>After</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue				
Local sources				
Charges for service	<u>\$393,676</u>	<u>\$280,729</u>	<u>\$50,071</u>	<u>\$724,476</u>
 Operating expenses				
Instruction				
Regular				
Salaries	-	-	33,490	33,490
Benefits	-	-	14,890	14,890
Supplies	-	-	<u>1,793</u>	<u>1,793</u>
	<u>-</u>	<u>-</u>	<u>50,173</u>	<u>50,173</u>
Support services				
Administration				
Purchased services	1,504	4,979	-	6,483
Miscellaneous	3,919	1,701	552	6,172
	<u>5,423</u>	<u>6,680</u>	<u>552</u>	<u>12,655</u>
Operation and maintenance of plant				
Purchased services	<u>17,746</u>	<u>-</u>	<u>-</u>	<u>17,746</u>
Non-instructional programs				
Salaries	192,267	182,759	-	375,026
Benefits	68,146	30,925	-	99,071
Purchased services	75	16,933	-	17,008
Supplies	247,213	48,590	-	295,803
Miscellaneous	1,343	-	-	1,343
Depreciation	11,005	-	-	11,005
	<u>520,049</u>	<u>279,207</u>	<u>-</u>	<u>799,256</u>
Total operating expenses	<u>543,218</u>	<u>285,887</u>	<u>50,725</u>	<u>879,830</u>
Operating (loss)	<u>(149,542)</u>	<u>(5,158)</u>	<u>(654)</u>	<u>(155,354)</u>
 Non-operating revenue				
Interest income	6,162	33	68	6,263
State sources	5,191	-	-	5,191
Federal sources	73,503	-	-	73,503
Total non-operating revenue	<u>84,856</u>	<u>33</u>	<u>68</u>	<u>84,957</u>
Net (loss)	<u>(64,686)</u>	<u>(5,125)</u>	<u>(586)</u>	<u>(70,397)</u>
Net assets, beginning of year	<u>296,908</u>	<u>102,665</u>	<u>24,016</u>	<u>423,589</u>
Net assets, end of year	<u>\$232,222</u>	<u>\$ 97,540</u>	<u>\$23,430</u>	<u>\$353,192</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Combining Statement of Cash Flows  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2009

Schedule 5

	<u>School</u>	<u>Before &amp;</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>	<u>After</u>		
Cash flows from operating activities				
Cash received from sale of services	\$ 393,676	\$280,729	\$50,071	\$ 724,476
Cash payments to employees for services	(263,678)	(215,636)	(49,136)	(528,450)
Cash payments to suppliers for goods and services	<u>(262,694)</u>	<u>(69,772)</u>	<u>(2,345)</u>	<u>(334,811)</u>
Net cash (used in) operating activities	<u>(132,696)</u>	<u>(4,679)</u>	<u>(1,410)</u>	<u>(138,785)</u>
Cash flows from non-capital financing activities				
State grants received	5,191	-	-	5,191
Federal grants received	<u>56,852</u>	<u>-</u>	<u>-</u>	<u>56,852</u>
Net cash provided by non-capital financing activities	<u>62,043</u>	<u>-</u>	<u>-</u>	<u>62,043</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(6,996)</u>	<u>-</u>	<u>-</u>	<u>(6,996)</u>
Cash flows from investing activities				
Interest on investments	<u>6,162</u>	<u>33</u>	<u>68</u>	<u>6,263</u>
Net (decrease) in cash and cash equivalents	(71,487)	(4,646)	(1,342)	(77,475)
Cash and cash equivalents, beginning of year	<u>248,216</u>	<u>113,220</u>	<u>28,023</u>	<u>389,459</u>
Cash and cash equivalents, end of year	<u>\$ 176,729</u>	<u>\$ 108,574</u>	<u>\$ 26,681</u>	<u>\$ 311,984</u>

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

Operating (loss)	\$(149,542)	\$ (5,158)	\$ (654)	\$(155,354)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities				
Depreciation	11,005	-	-	11,005
Commodities used	7,340	-	-	7,340
Decrease in inventory	1,097	-	-	1,097
(Increase) in due from other fund	(140)	-	-	(140)
Increase in accounts payable	668	2,431	-	3,099
(Decrease) in due to other funds	(7,902)	(1,994)	(825)	(10,721)
Increase in accrued salaries and benefits	<u>4,778</u>	<u>42</u>	<u>69</u>	<u>4,889</u>
Net cash (used in) operating activities	<u>\$(132,696)</u>	<u>\$ (4,679)</u>	<u>\$ (1,410)</u>	<u>\$(138,785)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$7,340 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, 2009

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama	\$ 4,907	\$ 9,837	\$ 13,203	\$ -	\$ 1,541
Yearbook	10,453	5,022	6,051	-	9,424
MS yearbook	4,413	3,525	2,973	-	4,965
Fine arts	1,195	714	1,283	256	882
Honors English	45	-	-	-	45
Win With Reading	60	-	-	-	60
Media Center	33	200	-	-	233
Speech	987	109	50	-	1,046
All athletics	1,222	103,475	78,164	(23,030)	3,503
Athletic director/facilities	1	-	-	-	1
Soccer	157	564	252	-	469
Cross country	2,002	2,259	2,075	-	2,186
Football	8,684	22,925	3,271	-	28,338
Boys basketball	-	3,000	2,966	-	34
Baseball	1,974	27,690	26,229	-	3,435
Boys track	1,878	3,580	3,515	-	1,943
Boys golf	37	1,996	2,064	31	-
Wrestling	-	4,268	2,523	-	1,745
Girls basketball	445	-	376	-	69
Volleyball	384	-	135	-	249
Girls soccer	577	574	-	-	1,151
Softball	1,524	21,021	18,207	-	4,338
Girls track	720	7,132	5,877	-	1,975
Girls golf	-	528	528	-	-
Book A Birthday	2	-	-	-	2
Registration	30	101	-	-	131
High school activities	1,006	3,349	2,542	-	1,813
Padlocks	246	-	-	-	246
Lakeview activities	189	-	-	-	189
Art for education	1	-	-	-	1
Lakeview pictures	167	443	197	-	413
Concessions	4,255	16,506	16,155	-	4,606
Petty cash	43	-	-	-	43

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2009

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
High school pictures	\$ 8,286	\$ 3,800	\$ 1,594	\$ -	\$ 10,492
Computer training classes	1,545	-	-	-	1,545
Summer enrichment	1,193	2,669	2,646	-	1,216
Middle School band resale	508	1,370	828	-	1,050
Middle school student supplies	785	405	-	-	1,190
Middle school activities	32	2,354	3,410	1,071	47
District-wide activities	3,019	1,096	389	-	3,726
Food club	-	143	143	-	-
HS Spartan Fund Run	2	-	-	-	2
HS robotics club	1,880	-	-	-	1,880
Close-up	245	-	-	-	245
Spanish club	1,949	3,866	-	-	5,815
Flag corps	34	994	998	-	30
Lakeview student council	9	-	-	-	9
High school student council	-	2,214	1,673	-	541
Junior high student council	858	15,710	20,385	21,929	18,112
School store	40	-	-	-	40
National Honor Society	428	-	308	-	120
Peer council	320	-	-	-	320
Band	2,374	7,213	6,734	-	2,853
HS Cheerleading	1,530	4,286	5,693	-	123
SADD	835	144	144	-	835
30 days to fitness	32	-	-	-	32
Environmental club	788	-	45	-	743
YAC	418	-	200	-	218
Dance team	802	10,791	10,994	-	599
Science/math boosters	-	640	635	-	5
Vocal music	2,075	9,049	12,298	2,000	826
MS cheerleading	7,354	-	1,536	-	5,818
MS dance team	63	811	810	-	64
"Stage Fright" club	600	-	344	(256)	-
"You Can Do It" group	1,337	1,034	116	-	2,255
HS show choir	738	4,178	2,267	(2,000)	649

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, 2009

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
MS show choir	\$ 1,412	\$ 400	\$ -	\$ -	\$ 1,812
GSA gay straight alliance	283	390	250	-	423
Senior class	633	1,568	974	973	2,200
Junior class	2,537	8,340	6,512	(1,608)	2,757
HS wrestling cheerleaders	1,710	995	295	-	2,410
FBLA	453	90	354	-	189
Cultural enrichment fund	1	-	1	-	-
Graduate class contributions	1,935	-	-	634	2,569
Joey Kaiser memorial fund	-	524	524	-	-
Totals	<u>\$ 96,680</u>	<u>\$ 323,892</u>	<u>\$ 271,736</u>	<u>\$ -</u>	<u>\$ 148,836</u>

See accompanying Independent Auditor's Report.

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

	Modified Accrual Basis					
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues						
Local sources						
Local tax	\$ 6,317,275	\$ 6,096,403	\$ 4,681,730	\$ 4,284,269	\$ 4,168,992	\$ 4,016,863
Tuition	597,989	454,727	455,383	369,739	414,282	460,436
Other	545,908	605,667	561,951	581,774	478,405	428,773
State sources	5,962,340	5,769,420	5,291,614	5,019,959	4,681,941	4,367,205
Federal sources	196,169	205,620	261,185	185,326	160,999	159,255
Total revenues	<u>\$13,619,681</u>	<u>\$13,131,837</u>	<u>\$ 11,251,863</u>	<u>\$10,441,067</u>	<u>\$9,904,619</u>	<u>\$9,432,532</u>
Expenditures						
Current						
Instruction						
Regular	\$ 4,915,440	\$ 4,507,086	\$ 4,312,966	\$ 3,912,378	\$ 3,522,375	\$ 3,367,391
Special	1,410,146	1,332,183	1,199,336	1,161,030	968,611	955,782
Other	788,476	798,361	758,279	714,789	882,212	646,890
Support services						
Student	112,984	129,669	138,969	138,911	133,370	170,130
Instructional staff	565,697	595,483	637,501	597,467	471,260	598,890
Administration	1,148,097	1,123,161	1,095,277	1,023,438	950,958	874,969
Operation and maintenance of plant	1,222,444	1,210,421	1,175,993	1,195,883	1,196,049	945,915
Transportation	436,254	391,206	343,888	427,022	414,093	467,611
Non-instructional programs	-	-	-	-	1,879	18,872
Other expenditures						
Facilities acquisition	255,744	363,038	340,888	121,754	-	191,307
Long-term debt						
Principal	570,000	555,000	530,000	1,875,000	523,085	489,303
Interest and other charges	301,343	322,005	341,631	561,060	476,575	496,359
AEA flowthrough	424,170	400,315	367,758	340,963	321,428	310,846
Total expenditures	<u>\$12,150,795</u>	<u>\$11,727,928</u>	<u>\$ 11,242,486</u>	<u>\$12,069,695</u>	<u>\$9,861,895</u>	<u>\$9,534,265</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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 19, 2010. 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, 2009 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 19, 2010

SOLON COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2009

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGINIFICANT 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  
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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 all extracurricular activities that charge an admission nor do they reconcile the number of tickets sold to the cash collected.

Recommendation - A ticket system for all extracurricular activities 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 2009 and incorporated.

SOLON COMMUNITY SCHOOL DISTRICT  
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Conclusion - The District indicated that a ticket collection system was incorporated in the spring of 2009; however, there was no documentation to support this. A ticket system was initiated in the fall of 2009; 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.

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2009 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.
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. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

SOLON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

For the Year Ended June 30, 2009

11. Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$ 1,272,070
Statewide sales and services tax revenue		1,377,719
Interest earned		17,603
Expenditures/transfers out		
School infrastructure		
Equipment	\$ 277,836	
Other improvements	<u>81,110</u>	<u>358,946</u>
Ending balance		<u>\$ 2,308,446</u>

12. 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, 2009

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant